ICICI BANK LTD
Form 20-F
July 31, 2017

As filed with the Securities and Exchange Commission on July 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2017.

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report ________________

Commission file number: 001-15002

ICICI BANK LIMITED
(Exact name of Registrant as specified in its charter)

Vadodara, Gujarat, India
(Jurisdiction of incorporation or organization)

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051, India
(Address of principal executive offices)

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

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

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

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

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

[None]

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

[None]

The number of outstanding Equity Shares of ICICI Bank Limited as of March 31, 2017 was 5,824,476,135.

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

U.S. GAAP

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

Other

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

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

Yes No

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Certain Definitions

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

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

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

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

Pursuant to the issuance and listing of our securities in the United States under registration statements filed with the United States Securities and Exchange Commission, we file annual reports on Form 20-F which must include financial statements prepared under generally accepted accounting principles in the United States (U.S. GAAP), or financial statements prepared according to a comprehensive body of accounting principles with a reconciliation of net income and stockholders’ equity to U.S. GAAP. When we first listed our securities in the United States, Indian GAAP was not considered a comprehensive body of accounting principles under the United States securities laws and regulations. Accordingly, our annual reports on Form 20-F for fiscal years 2000 through 2005 included U.S. GAAP financial statements. However, pursuant to a significant expansion of Indian accounting standards, Indian GAAP constitutes a comprehensive body of accounting principles. Accordingly, we have included in this annual report, as in the annual reports for fiscal years 2013 through 2017, consolidated financial statements prepared according to Indian GAAP, with a reconciliation of net income and stockholders’ equity to U.S. GAAP and a description of significant differences between Indian GAAP and U.S. GAAP.

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

The economic and industry data and information presented in this document are sourced from government statistical releases, press releases and notifications by the Government of India, the Reserve Bank of India and other regulators, data available on the websites of the Government of India, Reserve Bank of India, other regulators and industry bodies.

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Forward-Looking Statements

We have included statements in this annual report which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “e “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective” “should”, “can”, “could”, “may”, “will pursue” and similar expressions or variations of such expressions that may constitute “forward-looking statements”. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the actual growth in demand for banking and other financial products and services in the countries in which we operate or where a material number of our customers reside, our ability to successfully implement our strategy, including our retail deposit growth strategy, our use of the internet and other technology, our rural expansion, our exploration of merger and acquisition opportunities, our ability to integrate recent or future mergers or acquisitions into our operations and manage the risks associated with such acquisitions to achieve our strategic and financial objectives, our ability to manage the increased complexity of the risks that we face following our international growth, future levels of non-performing, restructured loans and any increased provisions, our growth and expansion in domestic and overseas markets, our status as a systemically important bank in India, our ability to maintain enhanced capital and liquidity requirements, adequacy of our allowance for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions in which we are or become a party to, the impact of any changes in India’s credit rating, the impact of any new accounting standards or new accounting framework, our ability to implement our dividend payment practice, the impact of changes in banking and insurance regulations and other regulatory changes in India and other jurisdictions on us, including changes in regulatory intensity, supervision and interpretations, the state of the global financial system and systemic risks, the bond and loan market conditions and availability of liquidity amongst the investor community in these markets, the nature of credit spreads and interest spreads from time to time, including the possibility of increasing credit spreads or interest rates, our ability to roll over our short-term funding sources and our exposure to credit, market and liquidity risks. We undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

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

Exchange Rates

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

During fiscal 2013, the rupee depreciated against the U.S. dollar by 7.1%, moving from Rs. 50.89 at March 31, 2012 to Rs. 54.52 at March 31, 2013. During fiscal 2014, the rupee depreciated against the U.S. dollar by 10.1%, moving from Rs. 54.52 per US$1.00 at March 31, 2013 to Rs. 60.00 per US$1.00 at March 31, 2014 due to concern about India's current account deficit and possible implications of the anticipated withdrawal of quantitative easing by the U.S. Federal Reserve. During fiscal 2015, the rupee depreciated against the U.S. dollar by 3.9%, moving from Rs. 60.00 per US$1.00 at March 31, 2014 to Rs. 62.31 per US$1.00 at March 31, 2015. During fiscal 2016, the rupee depreciated against the U.S. dollar by 6.3%, moving from Rs. 62.31 per US$1.00 at March 31, 2015 to Rs. 66.25 per US$1.00 at March 31, 2016. During fiscal 2017, the rupee appreciated against the U.S. dollar by 2.1% to Rs. 64.85 per US$1.00 at March 31, 2017 from Rs. 66.25 per US$ 1.00 at March 31, 2016. The rupee depreciated during the first nine months of fiscal 2017, but appreciated sharply during the three months ended March 31, 2017 supported by strong equity inflows from foreign portfolio investors. During fiscal 2018, through June 30, 2017, the rupee appreciated by 0.3% against the U.S. dollar to Rs. 64.62 per US$1.00. See also "Risk Factors—Risks Relating to India and Other Economic and Market Risks— Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs".

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

Fiscal Year	Period End(1)	Average(1),(2)
2013	54.52	54.48
2014	60.00	60.76
2015	62.31	61.34
2016	66.25	65.58
2017	64.85	66.96
2018 (through June 30, 2017)	64.62	64.46

Month	High	Low
March 2016	67.75	66.25
April 2016	66.70	66.05
May 2016	67.59	66.36
June 2016	67.92	66.51
July 2016	67.49	66.77
August 2016	67.18	66.63

September 2016	67.10	66.28
October 2016	66.94	66.49
November 2016	68.86	66.39
December 2016	68.29	67.38
January 2017	68.39	67.48
February 2017	67.40	66.67
March 2017	66.83	64.85
April 2017	65.10	64.08
May 2017	64.87	64.03
June 2017	64.66	64.23

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

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

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Although certain rupee amounts in this annual report have been translated into U.S. dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all. Except as otherwise stated in this annual report, all translations from rupees to U.S. dollars are based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at March 31, 2017. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at March 31, 2017 was Rs. 64.85 per US$1.00 and at June 30, 2017 was Rs. 64.62 per US$1.00.

Market Price Information

Equity Shares

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

At June 30, 2017, total 6,412,829,984 equity shares were outstanding. The prices for equity shares as quoted in the official list of each of the Indian stock exchanges are in Indian rupees.

The following table shows:

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

	Price per equity share(1),(2),(3)			
	High	Low	High	Low
Annual prices:				
Fiscal 2013	Rs. 220.49	Rs. 142.13	US$ 4.04	US$ 2.61
Fiscal 2014	228.95	142.46	3.82	2.37
Fiscal 2015	349.14	219.85	5.60	3.53
Fiscal 2016	301.05	166.36	4.55	2.51
Fiscal 2017	266.00	194.95	4.10	3.01
Quarterly prices:				
Fiscal 2016:				
First Quarter	Rs. 301.05	Rs. 257.41	US$ 4.73	US$ 4.05
Second Quarter	288.59	226.45	4.41	3.46
Third Quarter	263.68	224.00	3.98	3.38
Fourth Quarter	239.09	166.36	3.61	2.51
Fiscal 2017:				
First Quarter	Rs. 234.23	Rs. 194.95	US$ 3.47	US$ 2.89
Second Quarter	252.86	217.59	3.80	3.27
Third Quarter	266.00	219.23	3.92	3.23

Fourth Quarter	263.91	228.27	4.07	3.52
Fiscal 2018:				
First Quarter	Rs. 296.77	Rs. 244.23	US$ 4.59	US$ 3.78
Monthly prices:				
March 2016	Rs. 215.91	Rs. 186.32	US$ 3.26	US$ 2.81
April 2016	230.95	200.27	3.48	3.02
May 2016	222.41	194.95	3.31	2.90
June 2016	234.23	209.95	3.47	3.11
July 2016	247.27	218.50	3.70	3.27
August 2016	234.55	217.59	3.50	3.25
September 2016	252.86	227.59	3.80	3.42
October 2016	262.95	219.23	3.94	3.29
November 2016	266.00	232.09	3.88	3.39
December 2016	244.05	225.59	3.59	3.32
January 2017	247.27	228.27	3.66	3.38
February 2017	263.91	251.23	3.96	3.77
March 2017	261.14	240.91	4.03	3.71
April 2017	260.64	244.23	4.06	3.80
May 2017	296.77	247.95	4.60	3.84
June 2017	295.18	286.23	4.57	4.43

(1) Data from the National Stock Exchange of India Limited. The prices quoted on the BSE Limited may be different.

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

(3) The Bank issued one bonus share for every 10 equity shares in June 2017. Share prices for all periods in the table have been adjusted accordingly.

At June 30, 2017, the closing price of equity shares on the National Stock Exchange of India Limited was Rs. 290.15 equivalent to US$ 4.49 per equity share (US$ 8.97 per ADS on an imputed basis) translated at the exchange rate of Rs. 64.62 per US$1.00 as set forth in the H.10 statistical release of the Federal Reserve Board on June 30, 2017.

At June 30, 2017, there were 931,165 holders of record of our equity shares, of which 990 had registered addresses in the United States and held an aggregate of 1,223,311 equity shares.

ADSs

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

At June 30, 2017, we had approximately 805 million ADSs, equivalent to about 1,609 million equity shares, outstanding. At June 30, 2017, there were 66,257 record holders of our ADSs, out of which 119 have registered addresses in the United States. The following table sets forth, for the periods indicated, the reported high and low closing prices on the New York Stock Exchange for our outstanding ADSs traded under the symbol IBN.

	Price per ADS(1),(2)	
	High	Low
Annual prices:		
Fiscal 2013	US$ 8.68	US$ 5.09
Fiscal 2014	8.80	4.63
Fiscal 2015	11.80	7.75
Fiscal 2016	9.95	4.71
Fiscal 2017	7.98	5.80
Quarterly prices:		
Fiscal 2016:		
First Quarter	US$ 9.95	US$ 8.51
Second Quarter	9.52	7.45
Third Quarter	8.37	6.56
Fourth Quarter	6.95	4.71
Fiscal 2017:		
First Quarter	US$ 7.14	US$ 5.80
Second Quarter	7.61	6.52
Third Quarter	7.91	6.50
Fourth Quarter	7.98	6.77
Fiscal 2018:		

First Quarter	US$9.17	US$7.50
Monthly prices:		
March 2016	US$6.51	US$5.56
April 2016	7.14	5.99
May 2016	6.54	5.80
June 2016	7.09	6.05
July 2016	7.28	6.55
August 2016	6.97	6.52
September 2016	7.61	6.74
October 2016	7.91	6.50
November 2016	7.84	6.78
December 2016	7.25	6.73
January 2017	7.36	6.77
February 2017	7.85	7.45
March 2017	7.98	7.41
April 2017	8.00	7.50
May 2017	9.02	7.71
June 2017	9.17	8.78

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

(2) The Bank issued one bonus share for every 10 equity shares in June 2017. Share prices for all periods in the table have been adjusted accordingly.

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

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Risk Factors

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

Risks Relating to India and Other Economic and Market Risks

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

According to the new methodology introduced by the Indian government for estimating India's gross domestic product, and gross value added by sector, India's gross domestic product grew by 7.5% in fiscal 2015, 8.0% in fiscal 2016 and 7.1% in fiscal 2017. The agriculture sector accounted for 15.2% of gross value added, while industry and services accounted for 31.2% and 53.7%, respectively, in fiscal 2017. We are heavily dependent upon the state of the Indian economy, and a slowdown in growth in the Indian economy could adversely affect our business, our borrowers and our contractual counterparties, especially if such a slowdown were to be continued and prolonged.

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continues to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector has been slow. As a result, the level of additions to non-performing loans, including slippages from restructured loans into non-performing status, and provisions increased during fiscal 2016.

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolving stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, during fiscal 2017.

The Indian economy in general, and the agricultural sector in particular, are impacted by the level and timing of monsoon rainfall. Investments by the corporate sector in India are impacted by government policies and decisions including policies and decisions regarding awards of licenses, access to land, access to natural resources and the protection of the environment. Economic growth in India is also influenced by inflation, interest rates, external trade and capital flows. The level of inflation or depreciation of the Indian rupee may limit monetary easing or cause monetary tightening by the Reserve Bank of India. Any increase in inflation, due to increases in domestic food prices or global prices of commodities, including crude oil, the impact of currency depreciation on the prices of imported commodities and additional pass through of higher fuel prices to consumers, or otherwise, may result in a tightening of monetary policy. For instance, during fiscal 2014, in response to a rise in inflation from 9.1% in April 2013 to 11.5% in November 2013, the Reserve Bank of India progressively raised the repo rate by 75 basis points from 7.25% to 8.0% during May 2013-January 2014. The repo rate was thereafter maintained at the 8.0% level and then gradually reduced starting January 2015, with the last reduction of 25 basis points to 6.25% in October 2016.

In fiscal 2015, the Reserve Bank of India entered into a monetary policy framework agreement with the government of India affirming an inflation target of 4.0% with a band of +/- 2% to be pursued by the Reserve Bank of India. In June 2016, the Indian government notified amendments to the Reserve Bank of India Act, 1934, approved by the Indian parliament, for constituting a six-member Monetary Policy Committee comprising members from the Reserve Bank of India and the government, which would be responsible for inflation targets and monetary policy decisions. India has, in the past, experienced sustained periods of high inflation. A return to high rates of inflation with a resulting rise in interest rates, and any corresponding tightening of monetary policy may have an adverse effect on economic growth in India.

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

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

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

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

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

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

While Standard & Poor's, Moody's and Fitch currently have stable or positive outlooks on their sovereign rating for India, they may lower their sovereign ratings for India or the outlook on such ratings, which would also impact our ratings. Rating agencies may also change their methodology for rating banks which may impact us. For instance, in April 2015, Moody's revised its bank rating methodology and the assessment of government support to banks, following which the rating of several banks globally were revised, including Indian banks. The Bank's senior unsecured debt rating was downgraded by one level to Baa3 following the methodology change. Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our business and limit our access to capital markets and adversely impact our liquidity position. The methodology for rating banks also take into consideration key financial parameters of a bank like its capital position, liquidity profile, level of non-performing loans and business position in the banking industry. During incidents of challenges in the economic and operating environment for the Indian banking sector, there could be rating actions like a rating downgrade or change in the outlook of a bank by the rating agencies. Following the significant increase in non-performing loans in the banking sector, including for us, rating agency Moody's revised the rating of a few public sector banks and the outlook for some public and private sector banks. While Moody's reaffirmed the Bank's senior unsecured debt rating at Baa3, the baseline credit assessment of the Bank was lowered from baa3 to ba1 and outlook on the Bank's senior unsecured debt was changed from positive to stable in July 2017. The rating of our foreign branches is impacted by the sovereign rating of the country in which the branch is located, particularly if the rating is below India's rating. Any revision to the sovereign rating of the countries in which we operate to below India's rating could impact the rating of our foreign branch in the jurisdiction and the bonds issued from these branches. In February 2016, Standard & Poor's placed bonds issued by the Bahrain branches of two Indian banks, including ICICI Bank, on credit watch with negative implications following its lowering of the sovereign rating of Bahrain. In June 2016, Standard & Poor's removed the ratings on the Bank's senior bonds from credit watch and maintained the existing ratings based on the execution of an irrevocable standby letter of credit guaranteeing the bonds by our branch in the Dubai International Financial Centre. See also "*—Risks Relating to Our Business—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds*".

We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amount to approximately 3.0% of our total borrowings at year-end fiscal 2017. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we were not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan.

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

India imports a majority of its requirements of petroleum oil and petroleum products, which comprised around 22% of total imports in fiscal 2016 and fiscal 2017 compared to 31% of total imports in fiscal 2015. The government of India has deregulated prices and has been reducing the subsidy in respect of certain oil products, resulting in international crude prices having a greater effect on domestic oil prices. Any increase or volatility in oil prices, as well as the impact of currency depreciation, which makes imports more expensive in local currency, and the pass-through of such increases to Indian consumers or an increase in subsidies (which would increase the fiscal deficit) could have a material adverse impact on the Indian economy and the Indian banking and financial system, including through a rise in inflation and market interest rates and higher trade and fiscal deficits. This could adversely affect our business including our liquidity, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs.

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

India's trade relationships with other countries and its trade deficit, may adversely affect Indian economic conditions and the exchange rate for the rupee. The current account deficit as a proportion of India's gross domestic product has improved significantly from a high of 4.7% in fiscal 2013 to 1.3% in fiscal 2015, 1.1% in fiscal 2016 and 0.7% in fiscal 2017, which was driven primarily by the sharp decline in crude oil and commodity prices and a slowdown in non-oil imports. Increased volatility in capital flows due to changes in monetary policy in the United States or other economies or a reduction in risk appetite or increase in risk aversion among global investors and consequent reduction in global liquidity may impact the Indian economy and financial markets. For instance, during the first half of fiscal 2014, emerging markets including India witnessed significant capital outflows on account of concerns regarding the withdrawal of quantitative easing in the U.S. and other domestic structural factors such as the high current account deficit and lower growth outlook.

Exchange rates are impacted by a number of factors including volatility of international capital markets, interest rates and monetary policy stance in developed economies like the United States, level of inflation and interest rates in India, the balance of payment position and trends in economic activity. From the beginning of fiscal 2013 through fiscal 2016, the rupee decreased 30.4% against the U.S. dollar. In fiscal 2017, the rupee appreciated by about 2.1%.

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

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

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

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

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

As a result of the challenges faced by the corporate sector, the non-performing loans and provisions of a number of Indian banks, including us, increased significantly during fiscal 2016 and fiscal 2017. Our non-performing loans and provisioning costs are expected to remain elevated in the near term. See also "*—Risks Relating to Our Business—If we are* *unable to adequately control the level of non-performing loans in our portfolio, our business will suffer" and "—Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*".

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

India has experienced natural calamities such as earthquakes, floods and droughts in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as the level and timing of monsoon rainfall, impact the agricultural sector, which constituted approximately 15.2% of India's value added in fiscal 2017. Prolonged spells of below or above normal rainfall or other natural calamities, or global or regional climate change, could adversely affect the Indian economy and our business, especially our rural portfolio. Similarly, global or regional climate change in India and other countries where we operate could result in change in weather patterns and frequency of natural calamities like droughts, floods and cyclones, which could affect the economy of India, the countries where we operate and our operations in those countries.

Health epidemics could also disrupt our business. In fiscal 2010, there were outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several countries in which we operate.

Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business and the price of our equity shares and ADSs could be adversely affected.

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

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. The Indian government has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our ability to implement our strategy, the operations of our subsidiaries and our future financial performance. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. While a single party achieved majority in the general elections in fiscal 2015, India has been governed by coalition governments in previous years. The leadership of India and the composition of the government are subject to change, and election results are sometimes not along expected lines. It is difficult to predict the economic policies that will be pursued by governments in the future. In addition, investments by the corporate sector in India may be impacted by government policies and decisions, including with respect to awards of licenses and resources, access to land and natural resources and policies with respect to protection of the environment. Such policies and decisions may result in delays in execution of projects, including those financed by us, and also limit new project investments, and thereby impact economic growth. The pace of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. For instance, the government of India has introduced a uniform goods and services tax structure in India, which has an impact on the way in which we are taxed and may have an impact on the operations and cash flows of our borrowers. There could also be one-time decisions by the government that could impact our business and financial performance. For example, the government's decision in the second half of fiscal 2017 to withdraw legal tender status of high denomination currency notes led to an increase in costs associated with the transition and the reduction in revenues due to accompanying measures such as the reduction or waiver of transaction charges for ATM and card transactions for the specified period, Any significant change in India's economic policies or any market volatility as a result of uncertainty surrounding India's macroeconomic policies or the future elections of its government could adversely affect business and economic conditions in India generally and our business in particular and the price of our equity shares and ADSs could be adversely affected.

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

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

Risks Relating to Our Business

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

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

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

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth for Indian banks, including us. Subsequently, the Indian economy experienced challenges including high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. During this period, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic environment and volatility in global and domestic financial markets. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector was slow. Further, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, Indian banks, including us, experienced a substantial increase in the level of additions to non-performing loans, including downgrades from restructured loans, into non-performing status during the second half of fiscal 2016.

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans during fiscal 2017. Our gross non-performing loans increased significantly from Rs. 293.2 billion at year-end fiscal 2016 to Rs. 458.9 billion at year-end fiscal 2017.

Our standard loan portfolio includes restructured standard loans, and the failure of these borrowers to perform as expected could result in such loans being classified as non-performing. Since fiscal 2015, we experienced a high level of downgrades of standard restructured loans to the non-performing category due to the failure of these borrowers to perform as expected as a result of challenging domestic and global economic conditions and the slow progress of efforts to reduce corporate leverage.

Our standard loan portfolio also includes loans to borrowers where we, alone or with other lenders, have invoked schemes permitted by the Reserve Bank of India, including strategic debt restructuring and change in management, which provide for a standstill period during which the loan continues to be classified as standard even if a default in the payment of interest or principal would otherwise have required the loan to be classified as non-performing. During the standstill period, interest on such loan is not accrued, and is recognized only if received in cash. This standstill period is intended to allow time for the change in management and resolution of the borrower. This non-accrual status for loans subject to a standstill period negatively impacts our net interest income and net interest margin. A failure to arrive at a resolution by the end of the standstill period would result in such loans being classified as non-performing. See "—Our standard loan portfolio includes loans subject to standstill provisions in respect of asset classification". At year-end fiscal 2017, we also initiated the process of change in ownership outside the strategic debt restructuring scheme of a borrower with gross debt outstanding of approximately Rs. 51.1 billion. A failure to arrive at a satisfactory resolution of this account would adversely impact our performance.

Further, the quality of our long-term project finance loan portfolio could be adversely impacted by several factors. Our loan portfolio includes project finance, corporate finance, and working capital loans to the infrastructure and related sectors, including power and construction, and commodity-based sectors such as coal and iron and steel, which are subject to global commodity price cycles. See also *"—Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks"*. In certain cases, we have extended loan facilities to clients based on collateral consisting of equity shares and any volatility in the capital markets may impact the value of such collateral. Economic and project implementation challenges, in India and overseas, and declines or volatility in commodity prices, could result in some of our borrowers not being able to meet their debt obligations, including debt obligations that have already been restructured, resulting in an increase in non-performing loans. The inability of any of our borrowers to meet their debt obligations and the resultant increase in our non-performing loans may materially and adversely impact our financial performance.

There are uncertainties in respect of certain sectors due to challenging global and domestic economic conditions and high corporate leverage. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. At year-end fiscal 2016, the Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding borrowers classified as non-performing or restructured) was Rs. 119.6 billion (1.3% of the Bank's total exposure) to power (excluding exposure to a central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, the Bank's fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). At year-end fiscal 2017, ICICI Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding accounts classified as non-performing or restructured) was Rs. 62.3 billion (0.7% of the Bank's total exposure) to power (excluding exposure to a central public sector owned undertaking), Rs. 52.3 billion (0.6%) to mining, Rs. 39.7 billion (0.4%) to iron & steel, Rs. 2.9 billion to cement and Rs. 0.4 billion to rigs. Further, the Bank's fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 32.6 billion (0.3%). The decrease of Rs. 250.2 billion in the aggregate fund based exposure and non-fund based outstanding to companies internally rated below investment grade in the above sectors and promoter entities was due to classification of Rs. 200.5 billion as non-performing and reduction in exposure and net rating upgrades of Rs. 49.7 billion. The exposure to companies internally rated below investment grade in the above sectors and promoter entities includes the non-fund based facilities outstanding in respect of accounts included in this portfolio where the fund based facilities outstanding have been classified as non-performing. Apart from this, the non-fund based facilities outstanding to borrowers classified as non-performing was Rs. 19.3 billion. Any additional classification of such fund based exposures and outstanding non-fund based facilities as non-performing may materially and adversely impact our business.

During fiscal 2016 and fiscal 2017, the increase in additions to non-performing loans resulted in a significant increase in our provisions. It also impacted net interest margin, as we do not accrue interest on non-performing loans. In July 2017, while rating agency, Moody's, reaffirmed the Bank's senior unsecured debt rating at baa3, the baseline credit assessment of the Bank was lowered from baa3 to ba1 and the rating outlook on the Bank's senior unsecured debt was changed from positive to stable. The high level of, and increase in, non-performing loans is expected to result in high provisions and to continue to adversely impact our net interest margin in fiscal 2018 as well. The non-accrual of income on loans subjected to restructuring or special structuring involving a standstill period under applicable regulatory guidelines also negatively impacts our net interest income and net interest margin.

Provisions are created by a charge to expense, reflecting our estimates of loan losses and the credit risks in our portfolio, which may not be adequate to cover further increases in the amount of non-performing loans or further deterioration in our non-performing loan portfolio. In addition, for the year ended March 31, 2016, the Reserve Bank of India's annual supervisory process assessed higher provision than we had reported. While we have given effect to the impact of the changes in provisioning arising out of the Reserve Bank of India's supervisory process in the financial statements for the year ended March 31, 2017, the Reserve Bank of India's supervisory process for the year ended fiscal 2017 may result in further divergences between the Reserve Bank of India's assessed provisions and our reported provisions. Such divergence would require us to further change our provisioning processes, potentially resulting in higher provisioning expenses. See also *"—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer."*

Our ability to adequately control our non-performing loans in our portfolio will depend on several factors, including a pick-up in economic growth, a favorable inflation and interest rate environment, increase in credit growth and resolution of stressed assets. In addition, the requirement to complete the resolution process within the stipulated timeline to avoid liquidation of the borrower may impact recoveries from these stressed accounts. In the event borrowers go into liquidation, the additional credit losses may be significant.

See also "*—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past", "Business—Classification of Loans", "Operating and Financial Review and Prospects" and "Supervision and Regulation—Loan Loss Provisions and Non-performing Assets—Asset Classification*".

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

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

Banks in India are required to make provisions for all their loans in accordance with guidelines issued by the Reserve Bank of India, which prescribes the accounting for loss provisioning, unlike in the United States and European Union where a separate body sets accounting standards, including for provisioning. Under the Reserve Bank of India guidelines, Indian banks are required to make provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. We make provisions on retail non-performing loans at the borrower level in accordance with the retail assets provisioning policy of the Bank, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement and make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured loans and advances at rates prescribed by the Reserve Bank of India.

The Reserve Bank of India has substantially expanded its guidance relating to the identification and classification of non-performing assets over the last three years, which has resulted in an increase in our loans classified as non-performing and an increase in provisions.

Effective April 1, 2014, the Reserve Bank of India issued guidelines which included a framework for early identification and resolution of stressed assets. The guidelines introduced an asset classification category of "special mention accounts", which comprises cases that are not yet restructured or classified as non-performing but which exhibit early signs of stress, as determined by various parameters. Banks are also required to share data with each other on a category of special mention accounts, form joint lenders' forums and devise action plans for the joint resolution of these accounts. Any failure to do so within stipulated timeframes results in accelerated provisioning for such cases and may materially and adversely impact our business and future financial performance.

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

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolving stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, and provisions during fiscal 2017. Any further increases in non-performing loans and provisions may materially and adversely impact our business and future financial performance.

Our gross non-performing loans increased significantly from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016 and to Rs. 458.9 billion at year-end fiscal 2017. Our provisions for non-performing assets including restructuring related provisions increased from Rs. 77.2 billion in fiscal 2016 to Rs. 157.5 billion in fiscal 2017, primarily due to an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the debt restructuring terms and specific provisions on cases where strategic debt restructuring was initiated. Our provisions on standard assets decreased from Rs. 3.2 billion in fiscal 2016 to a write-back of Rs. 3.7 billion in fiscal 2017, primarily due to higher slippages to the non-performing category. Further, in view of the uncertainties relating to certain sectors and the time that it may take to resolve the Bank's exposures to these sectors, the Bank made a collective contingency and related reserve of Rs. 36.0 billion at year-end fiscal 2016 towards the Bank's exposure to these sectors. During fiscal 2017, ICICI Bank allocated the full amount of the collective contingency and related reserve towards the provisions for loans and fixed assets acquired in partial satisfaction of loans.

In April 2017, the Reserve Bank of India directed banks to put in place board-approved policies for making provisions for standard assets at rates higher than those prescribed by the Reserve Bank of India, based on industry sectors and an assessment of sectoral risks and trends. In particular, the Reserve Bank of India highlighted risks in the telecom sector and directed banks to complete the assessment with respect to this sector by June 30, 2017. Furthermore, in April 2017, the Reserve Bank of India required banks to disclose the divergence in asset classification and provisioning between what banks report and what the Reserve Bank of India assess through the Reserve Bank of India's annual supervisory process. For the year ended March 31, 2016, as compared to our assessment, the Reserve Bank of India's assessment of gross non-performing assets was Rs. 51.0 billion higher, net non-performing assets was Rs. 40.3 billion higher and provisions for non-performing assets was Rs. 10.7 billion higher. After adjusting for these divergences, our net profit after tax for the year ended March 31, 2016 would be Rs. 90.3 billion rather than Rs. 97.3 billion. For further information, see also Note 15 to Schedule 18 *"Notes Forming part of the Accounts"* to the consolidated financial statements. While the impact of changes in classification and provisioning arising out of the Reserve Bank of India's supervisory process for the year ended March 31, 2016 has been fully given effect to in the audited financial statements for the year ended March 31, 2017, additional divergences may arise from the Reserve Bank of India's supervisory process for the year ended March 31, 2017. Such divergences would require us to further change our classification and provisioning processes and would also result in gross non-performing assets, net non-performing assets, provisions for non-performing assets and net profit after tax being different from what we report herein should divergences be adjusted for. There can be no assurance that such disclosures will not impact us, our reputation, our business and future financial performance. Further, apart from the Reserve Bank of India that regulates us, there could be a possibility of other regulatory bodies also taking enforcement action based on such disclosures. Our subsidiaries are also regulated by their respective regulatory bodies. Similar to us, there may arise a requirement for additional disclosures from our subsidiaries in future, which may have an adverse impact on us.

In June 2017, the Reserve Bank of India directed banks to commence proceedings under the Insolvency and Bankruptcy Code, enacted in 2016, in respect of certain corporate borrowers. Under this Code, a resolution plan for these borrowers would be required to be finalized within specified timeframes, failing which the borrowers would go into liquidation. The Reserve Bank of India has also specified higher provisions in respect of loans to these borrowers. Further, with respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months, failing which banks shall be required to file for insolvency proceedings under the Code. Given the limited experience of this framework, there can be no assurance that successful resolution of these borrowers' liabilities would be achieved, and should one or more of these borrowers go into liquidation, the provisioning requirement and credit loss on these loans could result in significantly higher provisions and recovery from these borrowers could be significantly lower. The Reserve Bank of India may identify other corporate borrowers for action under the Insolvency and Bankruptcy Code and may require banks to commence similar proceedings, which may further impact our provisioning and credit loss. In addition, the requirement to complete the resolution process within the stipulated timeline to avoid liquidation of the borrower may impact recoveries from these stressed accounts. In the event borrowers go into liquidation, the additional credit losses may be significant.

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

Our strategy going forward with respect to our loan portfolio comprises proactive monitoring of loan portfolios across businesses; improvement in the portfolio mix by focusing on retail lending and lending to higher-rated companies; reduction of concentration risk; and resolution of exposures through asset sales by borrowers, changes in management and working with stakeholders to ensure that companies are able to operate at an optimal level and generate cash flows. Our strategy will also depend on the resolution of stressed assets within the specified timeframe. There can be no assurance that we will be able to successfully implement our strategy and control or reduce the level of non-performing assets, or that our future recoveries on non-performing assets will be similar to our past experience of recoveries on non-performing assets. If we cannot successfully control our non-performing assets, our business, future financial performance and the price of our equity shares and ADSs could be materially and adversely impacted.

Our standard loan portfolio includes loans subject to standstill provisions in respect of asset classification.

Our standard loan portfolio includes loans to borrowers where we, alone or with other lenders, have invoked schemes permitted by the Reserve Bank of India, including strategic debt restructuring and change in management, which provide for a standstill period during which the loan continues to be classified as standard even if the default in payment of interest or principal would otherwise have required the loan to be classified as non-performing. Interest on the loan do not accrue during such standstill period, and is recognized by us only if received in cash. This standstill period is intended to allow time for the change in management and resolution of the borrowers' liabilities. A failure to arrive at a resolution by the end of the standstill period would result in such loans being classified as non-performing.

At year-end fiscal 2017, our standard loan portfolio included loans aggregating Rs. 64.5 billion to borrowers within the standstill period, of which Rs. 26.4 billion was part of our exposure internally rated below investment grade to the power, mining, iron & steel, cement and rigs sectors and promoter entities. If there is a substantial increase in such loans, or if such loans are classified as non-performing, it could have a material adverse effect on our business, our future financial performance and the price of our equity shares and ADSs. In addition, during the standstill period, we are not allowed foreclose on such loans or otherwise liquidate any collateral that we may have. Our inability to do so may result in a failure to recover the expected value from such loan or collateral, and could have a material adverse effect on our business and future financial performance.

If our restructured borrowers fail to perform as expected and the loans to them are recategorized to the non-performing category, our business will suffer.

Our standard assets also include restructured standard loans. See also "*Business—Classification of Loans—Restructured Loans*". At year-end fiscal 2017, our restructured standard loans were Rs. 47.8 billion. In recent years, we have experienced a significant increase in the amount of standard restructured loans that were re-categorized to the non-performing category. The principal amount of such re-categorized loans increased from Rs. 7.3 billion in fiscal 2014 to Rs. 45.3 billion in fiscal 2015 and further to Rs. 53.0 billion in fiscal 2016. The restructured loans re-categorized to the non-performing category declined to Rs. 48.4 billion in fiscal 2017. The failure of some of our restructured borrowers to perform as expected and the Reserve Bank of India's review of the loan portfolios of Indian banks results in an increase in non-performing loans. The performance of our restructured borrowers is dependent on various factors, including economic conditions, in India and globally, movements in global commodity markets and exchange rates, rise in interest rates, inflation and distress in certain sectors, in addition to regulatory change.

See also and "*—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*" and "*Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Restructured loans*".

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

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

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

We also have investments in security receipts arising from the sale of non-performing assets by us to reconstruction companies registered with the Reserve Bank of India. See also *"Business—Classification of Loans"*. There can be no assurance that reconstruction companies will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments. Any such inability to recover assets or redeem our investments without a diminution in value could generally affect our business, financial condition and results of operations. In September 2016, the Reserve Bank of India issued a framework for sale of stressed assets. As per this framework, with effect from April 1, 2017, provisions held for investment in security receipts will be subject to a floor of provisioning rate applicable to the underlying loans (the provisions the bank would have had to make if the loans had continued to be held in its books), if more than 50% of the security receipts are held by the bank that sold the loans. The threshold of 50% will be reduced to 10% from April 1, 2018 as per the framework. Further, the framework requires banks to maintain an internal list of stressed assets identified for sale and review assets classified as 'doubtful' above a threshold amount on a periodic basis with a view to consider a sale or other disposition.

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

We expect long-term project finance to be an area of growth in our business over the medium to long-term, and the quality of this portfolio could be adversely impacted by several factors. The viability of these projects depends upon a number of factors, including market demand, government policies, the processes for awarding government licenses and access to natural resources and their subsequent judicial or other review, the financial condition of the government or other entities that are the primary customers for the output of such projects and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including risks of delays in regulatory approvals, environmental and social issues, completion risk and counterparty risk, which could adversely impact their ability to generate revenues. In the past, we have experienced a high level of default and restructuring in our industrial and manufacturing project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Our loans to the power sector were 5.8% of our total loans at year-end fiscal 2015, 5.6% at year-end fiscal 2016 and 5.8% at year-end fiscal 2017. Our non-performing loans in the power sector increased from Rs. 0.7 billion in fiscal 2015 to Rs. 17.5 billion in fiscal 2016 and to Rs. 64.0 billion in fiscal 2017. Power projects face a variety of risks, including access to fuel such as coal and gas, and off-take of the power produced. For example, we are lenders to a large gas-based power plant in the state of Maharashtra which has been impacted by the non-availability of gas. Coal based power projects in India have experienced delays primarily due to environmental concerns around coal mining and the de-allocation of coal blocks allocated to companies. While the Indian government has commenced the auction of these de-allocated coal blocks, the commencement of operations and financial performance of projects linked to these coal blocks continues to be uncertain. In addition, power projects inherently have high leverage levels and volatility in capital markets and concerns about the implementation of these projects and their future cash flows may constrain the availability of equity funding for such projects. Any reduction in the output of operational power plants or the projected output of newly-commissioned or under-implementation power projects due to lower availability of fuel, higher fuel costs that cannot be passed through to purchasers and inability of state-owned power distribution utilities to purchase or pay for power due to their financial condition, or a decline in the price of power, may have an adverse impact on the financial condition of power producers and their ability to service their debt obligations, including to us. We cannot be sure that these projects will begin operations as scheduled or perform as anticipated. A change in the ownership and management of these projects could further delay the commencement of operations. We may see an increase in our non-performing assets or restructured assets in case of delays from the scheduled commercial date of operations of such projects, which are longer than that permitted by the Reserve Bank of India guidelines.

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

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could have a materially adverse effect on our profitability and the quality of our loan portfolio and the price of our equity shares and ADSs.

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

Our loan portfolio and non-performing asset portfolio have a high concentration in certain types of customers. ICICI Bank's policy is to limit its exposure to any particular industry (other than retail loans) to 15.0% of its total exposure. Our loans and advances to the retail finance segment constituted 50.2% of our gross loans and advances at year-end fiscal 2017. Our loans and advances to the power sector was 5.8%, to the iron and steel sector was 4.7%, to the infrastructure sector (excluding power) was 4.5% and to the non-finance services sector was 4.4% of our gross loans and advances at year-end fiscal 2017.

There are uncertainties in respect of certain sectors due to global and domestic economic conditions and high corporate leverage. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. At year-end fiscal 2016, the Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding borrowers classified as non-performing or restructured) was Rs. 119.6 billion (1.3% of the Bank's total exposure) to power (excluding central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, the Bank's fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). At year-end fiscal 2017, ICICI Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding accounts classified as non-performing or restructured) was Rs. 62.3 billion (0.7% of the Bank's total exposure) to power (excluding central public sector owned undertaking), Rs. 52.3 billion (0.6%) to mining, Rs. 39.7 billion (0.4%) to iron & steel, Rs. 2.9 billion to cement and Rs. 0.4 billion to rigs. Further, the Bank's fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 32.6 billion (0.3%). The decrease of Rs. 250.2 billion in the aggregate fund based exposure and non-fund based outstanding to companies internally rated below investment grade in the above sectors and promoter entities was due to classification of Rs. 200.5 billion as non-performing and reduction in exposure and net rating upgrades of Rs. 49.7 billion. The exposure to companies internally rated below investment grade in the above sectors and promoter entities includes the non-fund based facilities outstanding in respect of accounts included in this portfolio where the fund based facilities outstanding have been classified as non-performing. In view of the uncertainties relating to the above sectors and the time that it may take to resolve the Bank's exposures to these sectors, the Bank made a collective contingency and related reserve of Rs. 36.0 billion at year-end fiscal 2016 towards the Bank's exposure to these sectors. This reserve was over and above the provisions required for non-performing and restructured loans as per Reserve Bank of India guidelines but, as a prudent matter, was permitted under Reserve Bank of India guidelines and Indian GAAP. During fiscal 2017, ICICI Bank re-allocated the full amount of the collective contingency and related reserve towards the provisions for loans and fixed assets acquired in partial satisfaction of loans. See also "*Business—Classification of Loans*".

Pursuant to the guidelines of the Reserve Bank of India, the Bank's credit exposure to an individual borrower must not exceed 15.0% of its capital funds, unless the exposure is with regards to an infrastructure project. Capital funds refer to Tier 1 and Tier 2 capital after regulatory adjustments as per the Reserve Bank of India guideline 'Master Circular - Basel III Capital Regulations'. ICICI Bank's exposure to a group of companies under the same management control generally must not exceed 40.0% of its capital funds unless the exposure is towards an infrastructure project, as per the Reserve Bank of India guidelines. Banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., aggregate exposure can be 20.0% of capital funds for an individual borrower and aggregate exposure can be 45.0% of capital funds for a group of companies under the same management). At year-end fiscal 2017, our largest non-bank borrower accounted for approximately 12.1% of our capital funds. The largest group of companies under the same management control accounted for approximately 23.4% of our capital funds. The Bank's exposure to its 20 largest borrowers (including banks) was approximately 12.9% of our total exposure, and our credit exposure to our 20 largest borrowers (including banks) was approximately 13.2% of the Bank's total credit exposure at year-end fiscal 2017.

In December 2016, the Reserve Bank of India released a framework for large exposures with limits on exposure of banks to single counterparty and a group of connected counterparties. As per this framework, the sum of all the exposure values of a bank to a single counterparty must not be higher than 20% of the bank's available eligible capital base at all times and the sum of all the exposure values of a bank to a group of connected counterparties must not be higher than 25% of the bank's available eligible capital base at all times. This framework is expected to be implemented in full by April 1, 2019 and the extant exposure norms applicable for credit exposure to individual borrower or to group of companies /group of companies under same management control will no longer be applicable from that date. Banks are required to gradually adjust their exposures so as to comply with the limits given in the framework for large exposures. In August 2016, the Reserve Bank of India issued guidelines proposing limits on the aggregate exposure of the banking system to large borrowers, with lending beyond the specified limits attracting higher risk weights and provisioning. These guidelines, and our focus on controlling and reducing concentration risk, may restrict our ability to grow our business with some customers, and require us to reduce our exposure to some groups.

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

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

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

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

If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the decrease in yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. Any systemic decline in low cost funding available to banks in the form of current and savings account deposits would adversely impact our net interest margin. The Reserve Bank of India has deregulated the interest rate on savings deposits, following which some of the smaller banks in India are offering higher interest rates on their savings deposit accounts. If other banks with whom we compete similarly raise their savings account deposit rates, we may also have to do so to remain competitive and this would adversely impact our cost of funds. In December 2015, the Reserve Bank of India released guidelines on computation of lending rates based on the marginal cost of funds methodology which is applicable on incremental lending from April 1, 2016. This change in the methodology for calculating cost of funds led to lower lending rates, and may lead to more frequent revisions in lending rates due to the prescribed monthly review of cost of funds. See also

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"*Business—Loan Portfolio—Loan Pricing" and "Supervision and Regulation—Regulations Relating to Advancing Loans*". This may impact the yield on our interest-earning assets, our net interest income and net interest margin. During November 2016-March 2017, there was a significant increase in savings and current account deposits in the banking system following the government of India's decision to withdraw high denomination currency notes. The surge in low cost funds resulted in an increase in liquidity in the banking system and a reduction in the cost of funds for banks, including for us. The subsequent reduction in lending rates were however higher compared to the decline in cost of funds, as banks were seeking to deploy the excess liquidity. Further, customers with floating rate loans also repriced their existing loans at the lower rate. Earlier, banks were not permitted to extend fixed rate loans at a rate of interest lower than the base rate. This restriction no longer applies to fixed rate loans of tenor above three years under the new guideline, and competition among lenders may lead to lower lending rates and result in reduced net interest income. If there are increases in our cost of funds and if we are unable to pass on the increases fully into our lending rates, our net interest margins and profitability would be adversely impacted. In January 2017, we reduced our marginal cost of funds based lending rate, which is the benchmark rate for floating rate loans offered by us, by 70 basis points across tenures. Some of the other large banks in India also announced a downward revision in their marginal cost of funds based lending rates. Such revisions in benchmark lending rates may impact the yield on our interest-earning assets, our net interest income and net interest margin.

Further, any tightening of liquidity and volatility in international markets may limit our access to international bond markets and result in an increase in our cost of funding for our international business. Continued volatility in international markets could constrain and increase the cost of our international market borrowings and our ability to replace maturing borrowings and fund new assets. Our overseas banking subsidiaries are also exposed to similar risks.

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

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

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

The Reserve Bank of India issued revised directed lending norms applicable from fiscal 2016 onwards. The sub-targets for direct and indirect lending to agriculture have been combined. Two new sub-targets, a target of 8.0% of adjusted net bank credit to small and marginal farmers and a 7.5% lending target to micro-enterprises, have been introduced and apply in a phased manner over fiscal 2016 and fiscal 2017. The balance of the priority sector lending requirement can be met by lending to a range of sectors, including small businesses, medium enterprises, renewable energy, social infrastructure and residential mortgages satisfying certain criteria. The target for lending to weaker sections continues to be at 10% of adjusted net bank credit. At year-end fiscal 2017, ICICI Bank's priority sector lending was Rs. 1,490.8 billion. As prescribed in the Reserve Bank of India guidelines, the Bank's priority sector lending compliance was computed on quarterly average basis for fiscal 2017. Total average priority sector lending was Rs. 1,399.4 billion constituting 39.9% of adjusted net bank credit against the requirement of 40.0% of adjusted net bank credit. The average lending to the agriculture sector was Rs. 547.4 billion constituting 15.6% of adjusted net bank credit against the requirement of 18.0% of adjusted net bank credit. The average advances to weaker sections were Rs. 220.9 billion constituting 6.3% of adjusted net bank credit against the requirement of 10.0% of adjusted net bank credit. Average lending to small and marginal farmers was Rs. 142.2 billion constituting 4.1% of adjusted net bank credit against the requirement of 8.0% of adjusted net bank credit. The average lending to micro enterprises was Rs. 241.2 billion constituting 6.9% of adjusted net bank credit against the requirement of 7.5% of adjusted net bank credit. The average lending to non-corporate farmers was Rs. 300.9 billion constituting 8.6% of adjusted net bank credit against the requirement of 11.7% of adjusted net bank credit.

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

Any shortfall in meeting the priority sector lending requirements may be required to be invested at any time, at the Reserve Bank of India's request, in Government schemes that yield low returns, determined depending on the prevailing bank rate and on the level of shortfall, thereby impacting our profitability. The aggregate amount of funding required by such schemes is drawn from banks that have shortfalls in achievement of their priority sector lending targets, with the amounts drawn from each bank determined by the Reserve Bank of India. At year-end fiscal 2017 our total investments in such schemes on account of past shortfalls in achieving the required level of priority sector lending were Rs. 241.1 billion. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding mandated investments in Government schemes at March 31 of the fiscal year to be treated as part of indirect agriculture and count towards overall priority sector target achievement. Investments at March 31 of the preceding year would be included in the adjusted net bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. These changes were made effective fiscal 2014. The Reserve Bank of India has proposed a scheme to sell and purchase priority sector lending certificates among banks in the event of excess/shortfall in meeting priority sector targets, which may help in reducing the shortfall in priority sector lending. However, this would depend on the availability of such certificates for trading. Our investments in Government schemes are expected to increase in view of the continuing shortfall in agriculture lending sub-targets and weaker section loans. See also "*Supervision and Regulation—Directed lending*".

As a result of priority sector lending requirements, we may experience a higher level of non-performing assets in our directed lending portfolio, particularly due to loans to the agricultural sector and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. The Bank's gross non-performing assets in the priority sector loan portfolio were 2.3% in fiscal 2014, 2.1% in fiscal 2015 and 2.2% in fiscal 2016 and fiscal 2017. Recently, some states in India have announced schemes for waiver of loans taken by farmers. While the cost of such schemes is borne by the state governments, such schemes or borrower expectations of such schemes may result in higher delinquencies in our agricultural lending portfolio. Any future changes by the Reserve Bank of India to the directed lending norms may result in our continued inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

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

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

The branch network of ICICI Bank in India has increased from 3,100 branches at year-end fiscal 2013 to 4,850 branches at year-end fiscal 2017. See also "*—We may seek opportunities for growth through acquisitions, divest our existing businesses, or be required to undertake mergers by the Reserve Bank of India and could face integration and other acquisitions risks*". We have also substantially scaled up our branch network in rural and semi-urban areas and have also established low-cost branches in centers in the country having no bank presence. Our new branches typically operate at lower productivity levels, as compared to our existing branches. Our operating performance depends also on the productivity of our employees. Any inability to achieve or substantial delays in achieving desired levels of productivity would have an adverse impact on our growth and profitability and the price of our equity shares and ADSs.

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

With effect from April 1, 2013, banks in India commenced implementation of the Basel III capital adequacy framework as stipulated by the Reserve Bank of India. The Basel III guidelines, among other things, establish common equity Tier 1 as a new tier of capital; impose a minimum common equity Tier 1 risk-based capital ratio of 5.5% and a minimum Tier 1 risk-based capital ratio of 7.0% while retaining the minimum total risk-based capital ratio of 9.0%; require banks to maintain a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments; establish new eligibility criteria for capital instruments in each tier of regulatory capital; require more stringent adjustments to and deductions from regulatory capital; provide for more limited recognition of minority interests in the regulatory capital of a consolidated banking group; impose a 4.5% Basel III leverage ratio of Tier 1 capital to exposure during a parallel run period from 2013 to 2017; and modify the Reserve Bank of India's Basel II guidelines with respect to credit risk, including counterparty credit risk and credit risk mitigation, and market risk. The guidelines are to be fully implemented by year-end fiscal 2019. Applying the Basel III guidelines, our capital ratios on a consolidated basis at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.8%; Tier 1 risk-based capital ratio of 14.4%; and total risk-based capital ratio of 17.3%.

The capital regulations continue to evolve, both globally and in India. The Reserve Bank of India requires additional capital to be held by banks as a systemic buffer. For instance, in July 2014, the Reserve Bank of India issued guidelines requiring additional common equity Tier 1 capital requirements ranging from 0.2% to 0.8% of risk-weighted assets for domestic banks that are identified as systemically important. The systemic importance of a bank would be determined based on the size, inter-connectedness, substitutability and complexity of the bank, with a larger weightage given to size. We were declared a systemically important bank in India by the Reserve Bank of India in August 2015 and placed in the first bucket which requires us to maintain additional common equity Tier 1 capital of 0.2% in a phased manner from April 1, 2016. Further, the Reserve Bank of India also released guidelines on implementation of counter-cyclical capital buffers which propose higher capital requirements for banks, ranging from 0% to 2.5% of risk-weighted assets, during periods of high economic growth. The capital requirement would be determined based on certain triggers such as deviation of long-term average credit-to-GDP ratio and other indicators. While these guidelines are already effective, the Reserve Bank of India has stated that current economic conditions do not warrant activation of the counter-cyclical capital buffer. In addition, with the approval of the Reserve Bank of India, banks in India may migrate to advanced approaches for calculating risk-based capital requirements in the medium term. The Reserve Bank of India has increased the risk weight on unrated exposures to corporates and infrastructure financing non-banking finance companies from 100.0% to 150.0% if the aggregate exposure of the banking system exceeds Rs. 2.0 billion. This is effective from June 30, 2017. Such regulatory changes and evolving regulations may impact the amount of capital that we are required to hold. Our ability to grow our business and execute our strategy is dependent on our level of capitalization and we typically raise resources from the capital markets to meet our capital requirements.

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

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

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

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

Our credit risk may be higher than the credit risk of banks in some developed economies. Unlike several developed economies, a nation-wide credit bureau only became operational in India in 2000. This may limit the information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers is often higher than borrowers in more developed economies due to the evolving Indian regulatory, political, economic and industrial environment. The directed lending norms of the Reserve Bank of India require us to lend a certain proportion of our loans to "priority sectors", including agriculture and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns. See also "*—We are subject to the directed lending requirements of the Reserve Bank of India, and any shortfall in meeting these requirements may be required to be invested in Government schemes that yield low returns, thereby impacting our profitability. We may also experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the price of our equity shares and ADSs*" and "*Business—Loan Portfolio—Directed Lending*". Several of our corporate borrowers have suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, high debt burden and high interest rates in the Indian economy, and other factors. An economic slowdown and a general decline in business activity in India could impose further stress on these borrowers' financial soundness and profitability and thus expose us to increased credit risk. For instance, developments in the Indian economy have led to a rise in non-performing and restructured assets of Indian banks, including us, since fiscal 2014. Such conditions may lead to an increase in the level of our non-performing assets and there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

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

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

We are subject to a wide variety of banking, insurance and financial services laws, regulations and regulatory policies and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. Since the global financial crisis, regulators in India and in the other jurisdictions in which we operate have intensified their review, supervision and scrutiny of many financial institutions, including us. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past, in a range of areas. This increased review and scrutiny or any changes in the existing regulatory supervision framework, increases the possibility that we will face adverse legal or regulatory actions. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that all regulators will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy and management functioning, other measures of the safety and soundness of our operations or compliance with applicable laws, regulations, accounting and taxation norms or regulatory policies. See also "*—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*". Regulators may find that we are not in compliance with applicable laws, regulations, accounting and taxation norms or regulatory policies, or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. Such formal or informal actions might force us to make additional provisions for our non-performing assets or otherwise, divest our assets, adopt new compliance programs or policies, remove personnel, reduce dividend or executive compensation or undertake other changes to our business operations. Any of these changes, if required, could reduce our profitability by restricting our operations, imposing new costs or harming our reputation. In April 2017, the Reserve Bank of India directed banks to make disclosures in the notes to accounts to the financial statements where divergences in asset classification and provisioning consequent to Reserve Bank of India's annual supervisory assessment process have exceeded a specified threshold. See also "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*" and "*Supervision and Regulation".*

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

In addition to oversight by the Reserve Bank of India, our insurance subsidiaries are also subject to extensive regulation and supervision by India's insurance regulators. The Insurance Regulatory and Development Authority of India has the authority to modify and interpret regulations regarding the insurance industry, including regulations governing products, selling commissions, solvency margins and reserving, which can lead to additional costs or restrictions on our insurance subsidiaries' activities. Similarly, our asset management subsidiary is subject to supervision and regulation by the Securities and Exchange Board of India. There can be no assurance that increase in regulatory scrutiny of our subsidiaries and stringent requirements, including additional disclosures, will not have a material adverse impact on the Bank.

Failure to comply with applicable regulations in various jurisdictions, including unauthorized actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and ensuing inquiries or investigations by regulatory and enforcement authorities, has resulted, and may result in the future, in regulatory actions, including financial penalties and restrictions on or suspension of the related business operations. Following the release on the Internet in March 2013 of videos forming part of a sting operation on banks and insurance companies in India that purported to show the Bank's frontline branch employees engaging in conversations that would violate our Group's Code of Business Conduct and Ethics and could have, if any transactions had been consummated, led to violations of anti-money laundering and 'know-your-customer' norms, the Reserve Bank of India undertook investigations at ICICI Bank and over 30 other banks in India. While the Reserve Bank of India's investigations did not reveal any prima facie evidence of money laundering, the Reserve Bank of India imposed an aggregate penalty of Rs. 665 million on 31 Indian banks, including Rs. 10 million on ICICI Bank, for instances of violation of applicable regulations, which we have paid. A penalty of Rs. 1.4 million was also imposed on the Bank in February 2015 by the Financial Intelligence Unit, India, for failure in reporting the attempted suspicious transactions to which the above sting operations pertained. The Bank had filed an appeal against the penalty with the Appellate Tribunal. In June 2017, the Appellate Tribunal ruled that the penalty was not sustainable. The Tribunal asked the appellant banks to be careful and report such matters in future.

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

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

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

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

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

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

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

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

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

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

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

We earn commission, exchange and brokerage income from a variety of activities, including loan processing, syndication and advisory services for corporate clients with respect to their acquisition and project financing, distribution of retail investment and insurance products, transaction banking and retail credit products. Our commission, exchange and brokerage income is therefore impacted by the level of corporate activity including new financing proposals, the demand for retail financial products and the overall level of economic and trade activity. Our commission, exchange and brokerage income is also impacted by applicable regulations governing various products and segments of financial services and changes in these regulations may adversely impact our ability to grow in this area. For example, in May 2014, the Reserve Bank of India directed banks to remove foreclosure charges on floating rate term loans given to individual borrowers and were prohibited from levying a penalty for non-maintenance of minimum balance in inoperative accounts. The securities regulator has issued regulations restricting charges that may be levied on depositary accounts. The profit on foreign exchange transactions is dependent on foreign exchange market conditions and the risk management strategies of corporate clients. Volatile market conditions may also have an adverse impact on mergers and acquisitions activity by Indian companies, affecting our fee and other incomes related to such activity. Since fiscal 2012, we have witnessed a moderation in growth in our commission, exchange and brokerage income, primarily due to the decline in corporate investment activity and new financing proposals. Further, in February 2017, the Reserve Bank of India released a draft circular on rationalization of Merchant Discount Rate for debit card transactions. The draft circular seeks a shift from the present slab-rate based Merchant Discount Rate on transaction value to merchant turnover based Merchant Discount Rate structure, for which merchants have been suitably categorized. These and various factors could adversely impact our fee income streams in the future and adversely affect our financial performance.

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

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

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

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

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of deposits including deposits from corporate customers and interbank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets have medium-or long-term maturities, creating the potential for funding mismatches. For example, our project finance loans typically have longer-term maturities compared to our funding profile. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches, which in the past required the prior approval of the Reserve Bank of India. We have recently significantly expanded our branch network pursuant to the Reserve Bank of India's authorizations for establishing new branches, and the Reserve Bank of India has also permitted banks to freely open new branches subject to certain conditions since September 2013. "*Supervision and Regulation— Regulations Relating to the Opening of Branches*". Our new branches typically operate at lower efficiency levels, as compared to our existing branches, and although we intend to increase their efficiency over time, any inability to use these branches productively, or substantial delays in achieving desired levels of productivity, may have an impact on our ability to grow our deposit base to the desired extent.

Negative rumors have been previously circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal withdrawal levels for a few days. Furthermore, a part of our loan and investment portfolio, consisting primarily of the loan and investment portfolios of our international branches and subsidiaries is denominated in foreign currencies, including the U.S. dollar. Our international branches are primarily funded by debt capital market issuances and syndicated/bilateral loans, while our international subsidiaries generally raise deposits in their local markets. We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amount to approximately 3.0% of our total borrowings at year-end fiscal 2017. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we are not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan. Volatility in the international debt markets may constrain our international capital market borrowings. There can be no assurance that our international branches and subsidiaries will be able to obtain funding from the international debt markets or other sources in a timely manner on terms acceptable to them or at all. This may adversely impact our ability to replace maturing borrowings and fund new assets. In addition, borrowers who have taken foreign currency loans from us may face challenges in meeting their repayment obligations on account of market conditions and currency movements. See also "*—Risks Relating to India and Other Economic and Market Risks—Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the price of our equity shares and ADSs*", "*—Risks Relating to India and Other Economic and Market Risks—Financial difficulty and other problems in the Indian financial system in India could adversely affect our business and the price of our equity shares and ADSs*" and "*—Our international operations increase the complexity of the risks that we face*".

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

The global financial crisis has led to significant and unprecedented changes in the laws, regulations and regulatory policies of India and the other jurisdictions in which we operate. Changes in laws, regulations or regulatory policies, including changes in the interpretation or application of such laws, regulations and regulatory policies, may adversely affect the products and services we offer, the value of our assets or the collateral available for our loans or our business in general. Recent regulatory changes as well as changes currently under discussion, such as changes with respect to Basel III risk-based and leverage capital requirements, Basel III liquidity requirements; restrictions on cross-border capital flows; enhanced emphasis on local lending obligations in overseas jurisdictions; changes in directed lending regulations in India; using national benchmark indices for pricing bank products; concentration of large exposures in banks and collateral management; continuous licensing of universal banks; and discussions on management compensation, board governance, consumer protection and risk management, among other areas, are expected to have an impact on our business and our future strategy. These changes could require us to reduce or increase our business in specific segments, impact our overall growth and impact our return on capital. For instance, our wholly owned banking subsidiaries in the United Kingdom and Canada reduced their business volumes after fiscal 2009 in response to the changes in the regulatory environment, which has impacted their growth and profitability. While both these subsidiaries are focused on growing their business within the current regulatory framework, the opportunities to do so may be limited. Further, while both these subsidiaries are focused on optimizing their capital base and have repatriated capital and made dividend payments to ICICI Bank in the recent past, such measures are subject to regulatory approvals. There can be no assurance regarding the timing or grant of such approvals in the future. The Reserve Bank of India has moved to a risk-based supervision approach for Indian banks, including us, and may require banks to hold additional capital over and above the minimum regulatory requirements based on its assessment of risks for individual banks.

Changes in laws, regulations and regulatory policies, or the interpretation or application thereof, have and we expect will continue to lead to enhanced regulatory oversight and scrutiny and increased compliance costs. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past. This increased scrutiny increases the possibility that we will face adverse legal or regulatory actions. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that any regulator will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy, management functioning or other measures of the safety and soundness of our operations. See also *"If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer"*. In addition, regulators may find that we are not in compliance with applicable laws, regulations or regulatory policies, or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. Our ability to predict future legal or regulatory changes is limited and we may face enhanced legal or regulatory burdens without advance notice. For example, the Reserve Bank of India, in its guidelines for new private sector banking licenses issued in February 2013, has mandated new banks pursuant to the issuance of such licenses, to be set up under a financial holding company structure. In future, such requirements may be extended to existing banks in India, including us. Also, the Reserve Bank of India has released a discussion paper on a new banking structure in India. See also "*Overview of the Indian Financial Sector—Structural Reforms*". Any such regulatory or structural changes may result in increased expenses, operational restrictions, increased competition or revisions to our business operations, which may reduce our profitability or force us to forego potentially profitable business opportunities. The Reserve Bank of India's scheme for Prompt Corrective Action on banks with high level of non-performing loans has been effective since December 2002. In April 2017, the Reserve Bank of India revised the framework and included indicators to be tracked like capital adequacy, asset quality, profitability and leverage with specified risk thresholds that would result in invocation of prompt corrective action. The revised framework stipulates actions like restriction on dividend distribution/remittance of profits, restriction on branch expansion; domestic and/or overseas, higher provisions as part of the coverage regime, and restriction on management compensation and directors' fees. At year-end fiscal 2017, the Bank's financial indicators did not breach the risk thresholds prescribed by the Reserve Bank of India. There can be no assurance that we will always remain within the thresholds prescribed by the Reserve Bank of India in the future. See also "—*The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past*".

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

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

To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses and enhanced regulatory scrutiny. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by domestic and international rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also "*—Risks Relating to India and Other Economic and Market Risks—Any downgrade of India's debt rating by an international rating agency could adversely affect our business, our liquidity and the price of our equity shares and ADSs*". The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions particularly longer-term, and derivatives transactions, or retain our customers. Conditions in the international and Indian debt markets may adversely impact our access to financing and liquidity. This, in turn, could reduce our liquidity and negatively impact our operating results and financial condition. For more information relating to our ratings, see also "*Business—Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Liquidity Risk*".

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

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

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

We may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by the Reserve Bank of India under its statutory powers. We have undertaken mergers and acquisitions in the past. Most recently, the Bank of Rajasthan, a private sector bank, merged with us effective August 12, 2010. In the past, the Reserve Bank of India has ordered mergers of weak banks with other banks primarily in the interest of depositors of the weak banks. More recently, the Indian government has indicated that public sector banks should pursue consolidation to create a smaller number of banks that are individually large in scale. We may in the future examine and seek opportunities for acquisitions in countries where we currently operate. Our non-banking subsidiaries in India may also undertake mergers, acquisitions and takeovers. Any future acquisitions or mergers or takeovers, both Indian or international, may involve a number of risks, including the possibility of a deterioration of asset quality, financial impact of employee related liabilities, diversion of our management's attention required to integrate the acquired business and the failure to retain key acquired personnel and clients, leverage synergies or rationalize operations, or develop the skills required for new businesses and markets, or unknown and known liabilities including any ongoing litigation, claims or disputes concerning such acquisition, merger, its shareholders, share capital or its legal and regulatory compliance obligations or practices, some or all of which could have an adverse effect on our business.

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

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

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

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

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

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

The rapid growth of our retail loan business and our rural initiative exposes us to increased risks within India including higher levels of non-performing loans in our unsecured retail credit portfolio, increased operational risk, increased fraud risk and increased regulatory and legal risk. Since fiscal 2012 we have focused on scaling up our retail lending volumes and since fiscal 2015, we have also seen an increase in our retail unsecured portfolio. Our net domestic retail loan portfolio grew by 18.5% in fiscal 2017 compared to an increase of 5.0% in our overall gross loan portfolio. Further, we are also focusing on scaling up our business and distribution network in rural areas. While we have taken measures to address the risks in these businesses, there can be no assurance that the businesses would perform according to our expectations or that there would not be any adverse developments in these businesses in the future. Our inability to manage such risks may have an adverse impact on our future business and strategy, our asset quality and profitability and the price of our equity shares and ADSs.

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

Within the Indian market, we face intense competition from other commercial banks, investment banks, insurance companies, non-bank finance companies, new private sector banks like payments banks and small finance banks and non-bank entities offering retail payments services. Some Indian public and private sector banks have experienced higher growth and increase in market shares relative to us. The Reserve Bank of India has issued licenses to two new private sector banks, and in-principle licenses to 10 small finance banks and 11 payments banks. Of these, six small finance banks and four payments banks have begun operations and three payments banks have surrendered, or announced their intention to surrender, their licences. The Reserve Bank of India has also issued guidelines with respect to a continuous licensing policy for universal banks in the private sector. The expansion of existing competitors or the entry of new competitors could increase competition. Further, technology innovations in mobility and digitization of financial services require banks to continuously develop new and simplified models for offering banking products and services. Innovations in the payments system and increasing use of mobile banking are leading to emergence of new platforms for cashless payments. This can also lead to new types of banks expanding their presence in other financial products like insurance and mutual funds. These trends in technology could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that we will be able to continue to respond promptly to new technology developments, and be in a position to dedicate resources to upgrade our systems and compete with new players entering the market. In addition, the moderation of growth in the Indian banking sector may lead to greater competition for business opportunities.

We face competition from non-banking finance companies that are lending in segments in which banks also have a presence, including home loans and vehicle loans. Their presence in the market may grow during periods when banks are unable to grow their advances due to challenges and stress in other businesses. There is no assurance that we will be able to effectively compete with these non-banking finance companies at all times. Further, changes in the banking sector structure due to consolidation as well as entry of new competitors may lead to volatility and new challenges and may increase pressure on banks to remain competitive.

In October 2013, the Reserve Bank of India completely deregulated branch licensing requirements and banks are permitted to open branches across Tier 1 to Tier 6 centers without the prior approval of the Reserve Bank of India, subject to them maintaining a prescribed proportion of 25% of their incremental branches in rural and semi-urban areas. Banks are also allowed to merge, close or shift a branch in metropolitan and urban centers without prior approval. See also “*Supervision and Regulation—Regulations Relating to the Opening of Branches*”. In March 2017, the

Reserve Bank of India issued revised guidelines on the rationalization of branch authorisation. As per the revised guidelines, banks are permitted to open, unless otherwise specifically restricted, banking outlets in Tier 1 to Tier 6 centers without having the need to take permission from the Reserve Bank of India in each case. The opening of banking outlets during a financial year will be subject to condition that at least 25% of the total number of banking outlets opened during a financial year should be opened in unbanked rural centers.

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

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

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

The Indian financial markets have in recent years experienced, and continue to experience, changes and developments aimed at reducing the cost and improving the quality of service delivery to users of financial services. We may experience an adverse impact on the cash float and fees from our cash management business resulting from the development and increased usage of payment systems, as well as other similar structural changes. Some structural changes in banking transactions in India include free access for a customer of any bank to ATMs of all other banks with restrictions on the amount and number of transactions. Furthermore, the Reserve Bank of India, from time to time, also imposes limits on transaction charges levied by banks on customers, including those on cash and card transactions. Banks were directed to remove foreclosure charges on home loans and floating rate term loans given to individual borrowers. Banks were prohibited from levying penalty on non-operative accounts for non-maintenance of minimum balance. Such developments may adversely impact the profitability of banks, including us, by reducing float balances and fee incomes, and increasing costs. See also "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*". Our subsidiaries are also subject to similar risks. For example, in the Union Budget for fiscal 2015, the Finance Minister announced an increase in the long-term capital gains tax rate on investments in debt mutual funds from 10% to 20% and also increased the minimum holding period for qualification as a long-term investment from 12 months to 36 months. Further, starting from April 2015, the Association of Mutual Funds of India has introduced a cap of 100 basis points on upfront commission for all mutual fund schemes. These changes may have an impact on the inflows and earnings of asset management companies, including our asset management subsidiary and also affect our fee and other incomes related to such activity. See also "*—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*".

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

Although, our insurance businesses are profitable and we currently do not anticipate they would require capital, additional capital may be required to support the business which may, among other reasons, arise due to regulatory requirements. For instance, in the past, in accordance with an order of the Insurance Regulatory and Development Authority of India, all general insurance companies in India, including our general insurance subsidiary, ICICI Lombard General Insurance Company Limited, were required to provide for losses on the third-party motor pool (a multilateral arrangement for insurance in respect of third-party claims against commercial vehicles, the results of which were shared by all general insurance companies in proportion to their overall market share). Since the losses were allocated to general insurance companies based on their overall market shares, the profitability and solvency ratio of our general insurance subsidiary were adversely impacted. Accordingly, we invested Rs. 740.0 million of capital into our general insurance subsidiary in fiscal 2013. Our ability to invest additional capital in these businesses is subject to the Reserve Bank of India's regulations on capital adequacy and its para-banking guidelines that prescribe limits for our aggregate investment in financial sector enterprises. All such investments require prior approval of the Reserve Bank of India. See also "*—Loss reserves for our general insurance business are based on estimates as to future claims liabilities and adverse developments relating to claims could lead to further reserve additions and materially adversely affect the operation of our general insurance subsidiary*".

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

The Insurance Laws (Amendment) Act, 2015, increased the foreign shareholding limit in insurance companies from 26.0% to 49.0%, subject to the companies being Indian-owned and controlled, and to regulatory approval. During fiscal 2016, we sold a 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, to financial investors, thereby reducing our share ownership in ICICI Prudential Life Insurance Company from approximately 74% to 68%. In fiscal 2017, we sold a further 12.63% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale in an initial public offering of its shares. ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and the BSE Limited on September 29, 2016. During fiscal 2016, Fairfax Financial Holdings and ICICI Bank agreed that Fairfax Financial Holdings (through its affiliate) would increase its shareholding in ICICI Lombard General Insurance Company by 9.0%. The transaction was completed in March 2016, resulting in our share ownership in ICICI Lombard General Insurance Company reducing to 63%. In June 2017, our Board of Directors of the Bank approved the sale of a part of our shareholding in ICICI Lombard General Insurance Company Limited in an initial public offering by the Company, subject to requisite approvals and market conditions. There is no assurance that we will be able to complete the above sale as planned or that we will undertake further monetization of our investments in our subsidiaries, through public offering or otherwise, or of the level of valuation of the subsidiaries at which such monetization may take place. See also "*Business—Overview of Our Products and Services—Insurance" and "—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*".

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

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

The Indian life insurance sector has experienced significant regulatory changes in recent years. In fiscal 2011, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. As a result of these changes, the life insurance sector experienced low growth and changes in the product mix in recent years, as life insurance companies were required to modify their products and distribution strategies. While there was initially a shift in the product mix towards non-unit linked products, more recently the share of unit-linked products has increased driven by favorable cost structures of these products from a customer perspective, as well as by improved capital market conditions. Linked products contributed to 85.9% of the retail weighted received premium of ICICI Prudential Life Insurance Company in fiscal 2017, compared to 83.3% of the retail weighted received premium in fiscal 2016, 84.8% in fiscal 2015 and 66.5% in fiscal 2014. The demand for these products may be influenced by any volatility or downturn in capital markets. The regulatory changes have also resulted in reduced profit margins on life insurance products. In fiscal 2015, the Insurance Laws (Amendment) Act, 2015, amended the existing statute to provide that no policy of life insurance shall be called in question on any grounds, including misstatement of facts or fraud, at any time after three years from the date of the policy, i.e., from the date of issuance of the policy, commencement of risk, revival of the policy or the rider to the policy, whichever is later.

ICICI Lombard General Insurance Company's gross direct premium income (GDPI) was Rs. 107.3 billion in fiscal 2017, a growth of 32.6% over fiscal 2016. ICICI Lombard General Insurance Company's growth and profitability depend on various factors, including the proportion of certain profitable products in its portfolio, the maintenance on its relationship with key distribution partners and reinsurers, continuation of support by the government of India of certain insurance schemes, regulatory changes, and market movements. There can be no assurance of the future rates of growth in the insurance business. While this subsidiary has been making profits since fiscal 2013, there can be no assurance of the future profitability or rates of growth in the insurance business. See also "*—Additional capital requirements of our insurance subsidiaries or our inability to monetize a part of our shareholding in these subsidiaries may adversely impact our business and the price of our equity shares and ADSs*" and "*Supervision and Regulation—Regulations Governing Insurance Companies".*

The Insurance Regulatory Development Authority of India has from time to time proposed changes to the regulations governing distribution of insurance products by corporate agents, including banks. ICICI Bank is a corporate agent of its insurance subsidiaries and accounts for a significant portion of the business volumes of its life insurance subsidiary. While the latest regulatory proposals are not expected to impact this activity significantly, any future regulatory restrictions may require our insurance subsidiaries to change their distribution strategies, which may result in increased costs and lower business volumes, as well as impacting ICICI Bank's distribution of their products and the associated fee income. A slowdown in growth in the Indian economy, further regulatory changes or customer dissatisfaction with our insurance products could adversely impact the future growth of these businesses. See also "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*". Any slowdown in these businesses and in particular in the life insurance business could have an adverse impact on our business and the price of our equity shares and ADSs.

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

Our Board of Directors has approved the further sale of up to approximately 7.0% out of our shareholding in ICICI Lombard General Insurance Company through an offer for sale in an initial public offering of the company's shares, subject to necessary approvals and market conditions, and ICICI Lombard General Insurance Company has filed a draft red herring prospectus with the Securities and Exchange Board of India for the proposed public offering.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. Our branch network expansion, our rural initiative, our international growth and our expansion to product lines such as insurance may create additional challenges with respect to managing the risk of fraud due to increased geographical dispersion and use of intermediaries. See also "*Operating and Financial Review and Prospects—Provisions for Non-performing Assets and Restructured Loans* " and *"Business—Risk Management—Operational Risk*". Physical or electronic break-ins, security breaches or other disruptions caused by power disruptions or the increased use of technology could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Technology has been undergoing a rapid evolution driven by mobility, cloud computing and social networks and this has led to increased cyber threats such as distributed denial of service attacks, spear phishing attacks and proliferation of malware and trojans. Given our focus on technology and presence in diverse geographies, we are exposed to such attacks which may impact the confidentiality, integrity or availability of data pertaining to us or our customers, which in turn may cause damage to our reputation and adversely impact our business and financial results. While we maintain insurance coverage that may, in accordance with the policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. We have a governance framework in place for security and has implemented information security policies, procedures and technologies. However, considering that technology is currently in a phase of rapid evolution and considering that the methods used for cyber-attacks are also changing frequently or, in some cases, are not recognized until an actual attack, we may not be able to anticipate or to implement effective preventive measures against all security breaches. Like many other large global financial institutions, we have also experienced a distributed denial of services attack which was intended to disrupt customer access to our main portal. While our monitoring and mitigating controls were able to detect and effectively respond to this incident, there can be no assurance that these security measures will be successful in the future. A significant failure in security measures could have a material adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

System failures could adversely impact our business.

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

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

We are regularly assessed by the government of India's tax authorities, and on account of outstanding tax demands we have included in contingent liabilities Rs. 51.0 billion in additional taxes in excess of our provisions at year-end fiscal 2017. These additional tax demands mainly relate to issues disputed by us and the tax authorities, such as the disallowance of depreciation on leased assets, disallowance of expenditure incurred towards exempt income, withdrawal of a special reserve, marked-to-market losses and indirect tax matters. As explained under "*Business—Legal and Regulatory Proceedings*", no provision has been made in the accounts for these contingent liabilities. The Rs. 51.0 billion included in our contingent liabilities does not include further disputed tax assessments amounting to Rs. 53.1 billion mainly relating to bad debts written off and penalties levied, where the possibility of liability arising has been considered remote based on favorable Supreme Court decisions in other similar cases, and Rs. 2.3 billion relating to disallowance of taxes paid. See also "*Business—Legal and Regulatory Proceedings*".

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

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

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

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

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

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

The financial statements and other financial information included or incorporated by reference in this annual report are based on our unconsolidated and consolidated financial statements under Indian GAAP. The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs, which is the law making authority for adoption of accounting standards in India, has notified these Ind AS for adoption. Further, the ministry has also issued a roadmap for transition to Ind AS by Indian companies in a phased manner starting from April 1, 2016. For banking companies and non-banking finance companies, the implementation of Ind AS will begin from April 1, 2018 and for insurance companies it will begin from April 1, 2020. Accordingly, ICICI Bank and our group companies, would report its financials as per Ind AS from April 1, 2018 onwards. Financial statements prepared under standards different from existing GAAP may diverge significantly from the financial statements and other financial information included or incorporated by reference in this annual report. The major areas of differences include classification and mark-to-market accounting of financial assets, impairment of financial assets, accounting of loan processing fees and costs, amortization of premium/discount on purchase of financial assets, employee stock option, deferred tax and consolidation accounting.

Ind AS 109 - Financial Instruments (Standard equivalent to International Financial Reporting Standard 9) would have a significant impact on the way financial assets and liabilities are classified and measured, resulting in volatility in profit or loss and equity. See also *"Operating and Financial review Prospects – Convergence of Indian accounting standards with International Financial Reporting Standards"*

Risks Relating to ADSs and Equity Shares

You will not be able to vote your ADSs and your ability to withdraw equity shares from the depositary facility is subject to delays and legal restrictions.

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

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

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

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

A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75.0% of the company's shareholders present and voting at a shareholders' general meeting. United States investors in ADSs may be unable to exercise these preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (the "*Securities Act*") is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration as well as the perceived benefits of enabling investors in ADSs to exercise their preemptive rights and any other factors we consider appropriate at such time. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional ownership interests in us would be reduced.

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

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

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

Under current Indian regulations, an ADS holder who surrenders ADSs and withdraws equity shares may deposit those equity shares again in the depositary facility in exchange for ADSs. An investor who has purchased equity shares in the Indian market may also deposit those equity shares in the ADS program. However, the deposit of equity shares may be subject to securities law restrictions and the restriction that the cumulative aggregate number of equity shares that can be deposited as of any time cannot exceed the cumulative aggregate number represented by ADSs converted into underlying equity shares as of such time. These restrictions increase the risk that the market price of our ADSs will be below that of the equity shares.

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

The Life Insurance Corporation of India, the General Insurance Corporation of India and other government-owned general insurance companies, all of which are directly controlled by the Indian government, are among our principal shareholders. At June 30, 2017, the Life Insurance Corporation of India held 10.4% and the General Insurance Corporation of India and other government-owned general insurance companies held 1.7% of our outstanding equity shares. See also "*Business—Shareholding Structure and Relationship with the Government of India*". Any substantial sale of our equity shares by these or other large shareholders could adversely affect the price of our equity shares and ADSs. The Reserve Bank of India, in exercise of powers conferred by the Banking Regulation Act has notified a ceiling on voting rights in a banking company for single shareholder of 15.0%. Deutsche Bank Trust Company Americas held approximately 25.1% of our equity shares at June 30, 2017 as depositary for ADS holders and currently votes on only 15.0% of these shares as per the ceiling notified by the Reserve Bank of India. In addition, under the terms of our deposit agreement, Deutsche Bank Trust Company Americas must vote these shares as directed by our Board of Directors. See also "*Overview of the Indian Financial Sector—Structural Reforms—Amendments to the Banking Regulation Act*".

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

The Indian securities markets are smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In April 2003, the decline in the price of the equity shares of a leading Indian software company created volatility in the Indian stock markets and created temporary concerns regarding our exposure to the equity markets. On May 17, 2004, the S&P BSE Sensex fell by 565 points from

5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE Limited and the National Stock Exchange of India Limited halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. The Indian securities markets experienced rapid appreciation during fiscal 2006 but underwent a sharp correction in May 2006. The markets experienced a recovery thereafter and the S&P BSE Sensex reached an all-time high of 20,873 on January 8, 2008 but subsequently experienced a sharp correction, with the S&P BSE Sensex declining to 8,160 on March 9, 2009. In the 24 months since then, the equity markets had recovered with the S&P BSE Sensex at 19,445 at year-end fiscal 2011. However, the European debt crisis, volatile crude oil prices and concerns on growth in India caused a decline in the domestic equity markets with the S&P BSE Sensex at 17,404 at March 30, 2012. The markets have recovered subsequently and at year-end fiscal 2017 the S&P BSE Sensex was at 29,621. In recent years, there have been changes in laws and regulations regulating the taxation of dividend income, which have impacted the Indian equity capital markets. See also "*Dividends*". Similar problems or changes in the future could adversely affect the market price and liquidity of our equity shares and ADSs.

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

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

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

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

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

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

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

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

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

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

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

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

Business

Overview

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India in terms of total assets on a consolidated basis. Apart from banking products and services, we offer life and general insurance, asset management, securities brokering and private equity products and services through our specialized subsidiaries. Our total assets at year-end fiscal 2017 were Rs. 9,860.4 billion. Our consolidated capital and reserves at year-end fiscal 2017 were Rs. 1,046.3 billion and our consolidated net profit for fiscal 2017 was Rs. 101.9 billion.

Our primary business consists of commercial banking operations for Indian corporate and retail customers. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of third party insurance and investment products. We also offer agricultural and rural banking products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, the internet, social media and mobile phones. ICICI Bank had a network of 4,850 branches and 13,882 ATMs in India at year-end fiscal 2017.

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

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

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company in India during fiscal 2017, with a market share of 12.0% in new business written (on retail weighted received premium basis) according to the Life Insurance Council. During fiscal 2017, ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and the BSE Limited, following the sale of 12.63% out of the shares held by ICICI Bank through an offer for sale in an initial public offering by the company. ICICI Prudential Pension Funds Management Company Limited, a 100% subsidiary of ICICI Prudential Life Insurance Company, is one of the fund managers for the pension assets of Indian citizens (other than the mandated pension funds of government employees) under the National Pension System. This pension scheme was launched by the Indian government in 2004 for all citizens on a voluntary basis, and has allowed professional fund managers to invest the scheme's funds since 2008. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during fiscal 2017, with a market share of 8.4% on a gross direct premium income basis according to the General Insurance Council. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2017 according to the Association of Mutual Funds in India. We cross-sell the products of our insurance and asset management subsidiaries and of other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities and fixed income market operations, respectively. ICICI Securities owns *icicidirect.com*, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc. that in turn has an operating subsidiary in the United States, ICICI Securities Inc., which is engaged in brokerage services. Our subsidiary ICICI Venture Funds Management Company, manages funds that make private equity investments. In fiscal 2013, ICICI Bank, in partnership with domestic and international banks and financial institutions, launched India's first infrastructure debt fund, India Infradebt Limited, structured as a non-banking finance company in which ICICI Bank and a wholly owned subsidiary together have a shareholding of 40.0%.

Our legal name is ICICI Bank Limited but we are known commercially as ICICI Bank. We were incorporated on January 5, 1994 under the laws of India as a limited liability corporation. The duration of ICICI Bank is unlimited. Our principal corporate office is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, India, our telephone number is +91 22 3366 7777 and our website address is www.icicibank.com. None of the contents of our and our subsidiaries' websites are incorporated in this annual report. Our agent for service of process in the United States is Mr. Akashdeep Sarpal, Joint General Manager, ICICI Bank Limited, New York Branch, 500 Fifth Avenue, Suite 2830, New York, New York 10110.

History

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

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

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Shareholding Structure and Relationship with the Government of India

The following table sets forth, at June 30, 2017, certain information regarding the ownership of our equity shares.

	Percentage of Total Equity Shares Outstanding		Number of Equity Shares Held
Government Controlled Shareholders:			
Life Insurance Corporation of India	10.4	%	663,975,994
General Insurance Corporation of India and government-owned general insurance companies	1.7		110,604,022
UTI and UTI Mutual Fund	1.0		65,912,669
Other government-controlled institutions, mutual funds, corporations and banks	0.2		15,587,349
Total government-controlled shareholders	13.3		856,080,034
Other Indian investors:			
Individual domestic investors(1),(2)	6.6		424,082,749
Mutual funds and banks (other than government-controlled mutual funds and banks) (2)	14.4		919,099,815
HDFC Trustee Company Limited – HDFC Equity Fund	1.0		64,278,189
Other Indian corporations and others(2)	4.3		275,845,888
Total other Indian investors	26.3		1,683,306,641
Total Indian investors	39.6		2,539,386,675
Foreign investors:			
Deutsche Bank Trust Company Americas, as depositary for ADS holders	25.1		1,609,486,267
Dodge and Cox International Stock Fund	6.2		396,386,743
Government of Singapore	1.1		67,379,722
Other foreign institutional investors, foreign banks, overseas corporate bodies, foreign companies, foreign nationals, foreign institutional investors and non-resident Indians(2)	28.1		1,800,190,577
Total foreign investors	60.4		3,873,443,309
Total	100.0	%	6,412,829,984

(1) Executive officers and directors (including non-executive directors) as a group held about 0.06% of ICICI Bank's equity shares at June 30, 2017.

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

(3) The Bank issued one bonus share for every 10 equity shares in June, 2017. Number of shares have been adjusted accordingly.

The holding of government-controlled shareholders was 13.3% at June 30, 2017 against 13.1% at June 30, 2016 and 11.2% at June 30, 2015. The holding of Life Insurance Corporation of India was 10.4% at June 30, 2017 against 10.4% at June 30, 2016 and 8.5% at June 30, 2015.

We operate as an autonomous commercial enterprise and the Indian government has never directly held any of our shares. We are not aware of or a party to any shareholders' agreement or voting trust relating to the ownership of the shares held by the government-controlled shareholders. We do not have any agreement with our government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. Our Articles of Association provide for the government of India to appoint, pursuant to the provisions of guarantee agreements between the government of India and ICICI, a representative to our Board. The government of India has appointed one representative to our Board. We have traditionally invited a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, Life Insurance Corporation of India and General Insurance Corporation of India to join our Board. There is currently a representative of Life Insurance Corporation of India but no representative of General Insurance Corporation of India on our Board. See also *"Management—Directors and Executive Officers*" for a discussion of the composition of our Board of Directors.

The holding of other Indian investors was 26.3% at June 30, 2017 against 21.8% at June 30, 2016 and 19.2% at June 30, 2015. The total holding of Indian investors was 39.6% at June 30, 2017 against 34.9% at June 30, 2016 and 30.4% at June 30, 2015. The holding of foreign investors was 60.4% at June 30, 2017 against 65.1% at June 30, 2016 and 69.6% at June 30, 2015. See also "*Supervision and Regulation—Reserve Bank of India Regulations—Ownership Restrictions*". Deutsche Bank Trust Company Americas holds the equity shares represented by 805 million American Depositary Receipts outstanding as depositary on behalf of the holders of the American Depositary Shares. The American Depositary Shares are listed on the New York Stock Exchange. The Reserve Bank of India, exercising its powers under the Banking Regulation Act has notified a ceiling of 15.0% on the voting rights of a single shareholder in a banking company. Therefore, Deutsche Bank Trust Company Americas (as depositary), which held approximately 25.1% of our equity shares at June 30, 2017 can only vote 15.0% of our equity shares. In addition, under the terms of our deposit agreement, Deutsche Bank Trust Company Americas must vote these shares as directed by our Board of Directors. Our ADS holders themselves have no voting rights unlike holders of our equity shares who have voting rights. Except as stated above, no shareholder has differential voting rights. See also "*Overview of the Indian Financial Sector—Structural Reforms— Amendments to the Banking Regulation Act*".

Strategy

In fiscal 2017, we continued to focus on opportunities for sustainable profitable growth by enhancing our retail franchise, including growing our retail loan portfolio and maintaining the proportion of current and savings accounts and retail term deposits in our domestic deposit base. We continued to build our rural and inclusive banking franchise, focused on strengthening our insurance, asset management and securities businesses, and unlocking value from our investments in our insurance subsidiaries. We continued to leverage technology to improve the customer experience as well as our operating efficiency. During the withdrawal of high denomination currency notes and the introduction of new currency notes by the government of India in the second half of fiscal 2017, we ensured minimal disruptions in our banking operations, took steps to manage availability of cash, recalibration of our ATMs to accept new notes, announced waivers on specific banking transactions and enhanced our services to customers. During fiscal 2017, we continued to adopt a cautious approach to lending to the corporate sector, and refined and strengthened the framework for managing concentration risks, including thresholds and limits with respect to single borrower and group exposure. We focused on asset resolution and exposure reduction in identified areas though the progress was slower than expected. We maintained a strong capital position with capital adequacy ratios significantly above the regulatory requirements.

The success of our strategy depends on several factors, including our ability to grow our low cost deposit base, grow our loan book profitably, contain non-performing and restructured loans, resolve stressed assets promptly, manage our treasury business, maintain regulatory compliance in an evolving regulatory environment, address regulators' assessments of and observations on our operations, and compete effectively in the Indian corporate and retail financial services market. Regulations governing the financial sector in India, including banking, insurance and asset management, continue to evolve, with a potential impact on the growth and profitability of financial services groups such as us. Our overseas branches are primarily funded from wholesale sources and global financial market conditions may impact our ability to raise funds and grow the business of our overseas branches.

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

Improving portfolio quality

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

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

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

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

Continuing to enhance our franchise

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

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

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

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

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

Overview of Our Products and Services

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

Commercial Banking for Retail Customers

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

Retail Lending Activities

Our retail lending activities include home loans, automobile loans, commercial business loans (including primarily commercial vehicle loans), business banking loans (including dealer funding and small ticket loans to small businesses), personal loans, credit cards, loans against time deposits, loans against securities, loans against jewelry and retail lending in rural markets. We also fund dealers who sell automobiles and commercial vehicles. The retail portfolio increased from Rs. 2,385.7 billion constituting 46.8% of gross loans at year-end fiscal 2016 to Rs. 2,689.6 billion constituting 50.2% of gross loans at year-end fiscal 2017. This was driven primarily by growth in secured retail lending categories like mortgages and automobile loans. We also selectively offer unsecured products such as personal loans and credit cards to our customers. We believe that retail credit has a robust long-term growth potential due to India's favorable demographics and under-penetration of retail products in the Indian market.

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

Commercial Banking for Rural and Agricultural Customers

Our rural banking operation caters to the financial requirements of customers in rural and semi-urban locations, primarily engaged in agriculture and allied activities. We offer a comprehensive product suite covering the entire agricultural value chain including farmers, commodity traders, seed and farm input dealers and processors. Our products include working capital loans for growing crops and financing post harvest activities, including farm equipment loans and financing against warehouse receipts and gold jewelry. We also provide consumption loans for low-income customers. The Reserve Bank of India's directed lending norms also require us to lend a portion of advances to the agricultural sector and micro enterprises. See also *"—Loan Portfolio—Directed Lending"*.

We offer financial solutions to micro-finance institutions, self-help groups, co-operatives constituted by farmers, corporations and medium enterprises engaged in agriculture-linked businesses. Rural banking services are offered through multiple channels including branches, micro ATMs, point of sale terminals and mobile branches. We have tied up with telecom companies to offer mobile based banking services. Our rural customers can also avail themselves of basic banking facilities at retail outlets like grocery shops and customer service points through business correspondents. As per the requirement of the Reserve Bank of India, we have formulated a board-approved financial inclusion plan to provide financial services to customers residing in rural and unbanked areas. From fiscal 2015, we have supported the government's financial inclusion initiative to provide a bank account to every household in unbanked areas of the country. We have enabled remittances and account based transfers, based on Aadhaar, India's unique identification number, for our customers who are beneficiaries of direct benefit transfers under the social security schemes of the government of India. During fiscal 2016, we began offering insurance and pension products to our customers. The Bank has also tied up with National Commodity and Derivatives Exchange Limited to offer loans against electronic warehouse receipts. In fiscal 2017, the Bank launched a unique mobile application, Mera iMobile, which allows users, including non-ICICI Bank customers, in rural areas to access banking services as well as information on agricultural services. This application provides around 135 services and is available in English and several Indian regional languages. Rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. We continuously explore various models for operating through cost effective structures in rural locations, including technology-based channels and have opened 571 low cost branches in rural locations, which offer basic banking services to rural customers. We have also pursued initiatives in empowering villages and in creating a digital ecosystem in line with the government's focus to shift towards a less-cash economy. The village promotion programme encompasses digitization of transactions and commercial activities and provides credit facilities and a market linkage to help villagers earn a sustainable livelihood. During fiscal 2017, we converted 100 villages into digital villages. See also "*Risk Factors—Risks Relating to Our Business— Entry into new businesses or rapid growth in existing loan portfolios may expose us to increased risks that may adversely affect our business*".

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

	At March 31, 2015	2016	2017	2017	2017
	(Rs. in billions)			(% share)	(US$ in millions)
Home loans	Rs. 1,094.0	Rs. 1,334.3	Rs. 1,528.4	56.9 %	US$ 23,569
Automobile loans	190.0	224.6	256.1	9.5	3,949
Commercial business loans	109.4	129.2	150.3	5.6	2,317
Business banking(1)	73.2	80.9	77.4	2.9	1,194
Others(2),(3)	332.2	398.8	379.9	14.0	5,858
Total secured retail finance portfolio	1,798.8	2,167.8	2,392.1	88.9 %	36,887
Personal loans	71.3	102.2	143.7	5.3	2,215
Credit card receivables	41.4	55.2	75.5	2.8	1,164
Business banking(1)	23.9	33.3	49.5	1.8	763
Others(2)	21.5	27.2	28.8	1.2	446
Total unsecured retail finance portfolio	158.1	217.9	297.5	11.1 %	4,588
Total retail finance portfolio	Rs. 1,956.9	Rs. 2,385.7	Rs. 2,689.6	100.0%	US$ 41,475

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

(2) Includes rural loans and loans against securities.

(3) Includes loans against foreign currency non-resident (bank) deposits of Rs. 15.0 billion at March 31, 2017.

Our unsecured retail portfolio primarily includes personal loans and loans against credit card receivables. Following the global financial crisis leading to increase in interest rates, tightening liquidity and challenging macro-economic environment and changes in regulations pertaining to the use of recovery agents by banks, we witnessed higher than anticipated losses in the unsecured retail portfolio. We reduced incremental lending in personal loans and credit card issuances, resulting in a decline in the overall unsecured retail lending portfolio. Since fiscal 2013, we have been growing our personal loans and credit card lending portfolio, primarily by offering these products to our existing customers. During fiscal 2017, ICICI Bank's personal loan disbursements, at Rs.103.4 billion, were about 10.1% of total retail loan disbursements and the number of outstanding credit cards increased from around 3.7 million at year-end fiscal 2016 to about 4.3 million at year-end fiscal 2017. ICICI Bank's personal loans typically range from Rs. 50,000 to Rs. 4,000,000 in size with tenors of one to five years and yields ranging from 11-20%. Our personal loans portfolio increased from Rs. 102.2 billion at year-end fiscal 2016 to Rs. 143.7 billion at year-end fiscal 2017. The credit card receivables portfolio increased from Rs. 55.2 billion at year-end fiscal 2016 to Rs. 75.5 billion at year-end fiscal 2017. The proportion of unsecured retail loans in the total retail portfolio was 11.1% at year-end fiscal 2017 compared to 9.1% at year-end fiscal 2016.

We offer retail lending products primarily in India through ICICI Bank and our wholly owned subsidiary, ICICI Home Finance Company Limited. Our home loan portfolio includes both loans for the purchase and construction of homes as well as loans against property. Our policies for such loans are based on certain stipulated ratios such as the loan-to-value ratio and the ratio of fixed debt obligations to a borrower's income. In

October 2015, the Reserve Bank of India revised the loan-to-value ratios for small size loans and capped the loan-to-value ratio at 90% for home loans up to Rs. 3.0 million, and at 80% for home loans between Rs. 3.0 million and Rs. 7.5 million. Loans above Rs. 7.5 million have a maximum loan-to-value ratio of 75.0%. The initial repayment term of such loans is 15 to 20 years with payments in the form of equated monthly installments. We conduct a part of our housing loan business through ICICI Home Finance Company.

Our banking subsidiary in Canada offers residential mortgages in the local market. The mortgages are insured and primarily have federal-backed insurance. At year-end fiscal 2017, ICICI Bank Canada held total residential mortgages amounting to CAD 3,458 million (Rs. 168.0 billion) as compared to CAD 3,240 million (Rs. 166.0 billion) at year-end fiscal 2016. This includes mortgages of CAD 3,145 million (Rs. 161.0 billion) at year-end fiscal 2017 as compared to CAD 2,968 million (Rs. 152.0 billion) at year-end fiscal 2016 securitized under the Canadian National Housing Act – Mortgage Backed Securities program or through participation in the Canada Mortgage Bonds program.

Retail Deposits

Our retail deposit products include time deposits and savings account deposits. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen. We also offer corporate salary account products and current account (i.e., checking accounts for businesses) products to our small enterprise customers, who maintain balances with us. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2017, we had a debit card base in excess of 36 million cards.

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

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

Fee-Based Products and Services

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

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

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

Lending to Small and Medium Enterprises

We offer a comprehensive suite of banking products and solutions to small and medium enterprises. We also offer customized products to meet specific business requirements. We have strengthened our capabilities in assessing credit risks across various sectors that enables us to provide customized solutions based on requirements of small and medium enterprises. We also offer supply chain financing solutions and vendor bill discounting through funding to the channel partners of corporate clients to meet the working capital needs of small businesses. We also have specialized teams for current accounts (i.e. checking accounts), trade finance, cash management services and door-step banking. We are also proactively reaching out to small and medium enterprises through various initiatives such as the "SME toolkit" —an online business and advisory resource for small and medium enterprises; and the "Emerging India Awards" —a small and medium enterprises recognition platform.

Commercial Banking for Corporate Customers

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

Corporate Loan Portfolio

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

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

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land permits, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets, corporate investment activity declined.

From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including for us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued, impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector was slow.

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders’ Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, during fiscal 2017. Further, in June 2017, the Reserve Bank of India directed banks to commence proceedings under the Insolvency and Bankruptcy Code, enacted in 2016, in respect of certain corporate borrowers. Under this Code, a resolution plan for these borrowers would be required to be finalized within specified timeframes, failing which the borrowers would go into liquidation. The Reserve Bank of India has also specified higher provisions in respect of loans to these borrowers, which may impact our future provisions. With respect to other identified stressed accounts, the banks are required to finalise a resolution plan within six months, failing which banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code.

We have adopted a cautious approach in incremental lending by focusing on lending to higher rated corporations and adopting a revised framework for management of concentration risk. See also "*Risk Factors—Risks Relating to Our Business— If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*" and "*Business—Strategy*" and "*Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2017*".

Fee and Commission-Based Activities

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

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

We also offer commercial banking services such as cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax filing and collection services on behalf of the government of India and the governments of Indian states. At year-end fiscal 2017, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depositary banks for GDR investors) were Rs. 2,262.9 billion. As a registered depositary participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositaries operating in India, we also provide electronic depositary facilities to investors.

Corporate Deposits

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

"—*Business—Funding*".

Foreign Exchange and Derivatives

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

- *Foreign Exchange Products*

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

- *Derivatives*

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

Commercial Banking for International Customers

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

At March 31, 2017, we had subsidiaries in the United Kingdom and Canada, branches in Bahrain, Dubai International Finance Center, Hong Kong, China, Singapore, Sri Lanka, Qatar Financial Centre, South Africa and the United States and representative offices in Bangladesh, Indonesia, Malaysia and the United Arab Emirates. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany.

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

- Remittance services: We offer remittance services tailored to meet the needs of diverse customer segments. To facilitate easy transfer of funds to India, we offer a suite of online as well as offline money transfer services that enable non-resident Indians from across 48 countries worldwide to send money to any beneficiary in India with a wide choice of delivery channels including electronic transfers to accounts. With partnerships with over 200 correspondent banks and exchange houses worldwide, the Bank is a significant participant in facilitating cross-border remittance flows into India. In fiscal 2016, we launched “Money2World”, a fully-online outward remittance service. Through this service, even non-account holders of ICICI Bank can transfer money online from any bank account in India to any bank account overseas in 16 major currencies. We also enhanced our Money2India website and mobile application for a seamless experience and offer 24*7 instant transfers with confirmed exchange rates.

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

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

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

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

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

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

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

Total assets (net of inter-office balances) of ICICI Bank's overseas branches at year-end fiscal 2017 were Rs. 946.3 billion and total advances were Rs. 749.9 billion compared to total assets of Rs. 1,188.4 billion and total advances of Rs. 938.1 billion at year-end fiscal 2016. Our overseas branches are primarily funded by debt capital market borrowings, syndicated/bilateral loans and borrowings from external commercial agencies. See also "*Risk Factors—Risks Relating to Our Business—Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected*".

Our subsidiaries in the United Kingdom and Canada are full service banks offering retail and corporate banking services. These subsidiaries offer direct banking using the internet as the access channel. Our subsidiary in the United Kingdom offers loans to corporate businesses, including to Europe-based multinational corporations which have active trade and investment flows with India, large businesses owned by persons of Indian origin and for Indian corporations seeking to develop their overseas businesses. Our subsidiary in Canada originates residential mortgages, primarily those insured and qualifying for federal government insurance and offers loans to Indian corporations seeking to develop their business overseas, and both Canadian and US corporations.

At year-end fiscal 2017, ICICI Bank UK PLC had eight branches in the United Kingdom and a branch in Belgium and Germany. At year-end fiscal 2017, the total assets of ICICI Bank UK PLC were US$ 3.5 billion.

ICICI Bank UK PLC incurred a net loss of US$ 16 million during fiscal 2017, compared to a net profit of US$ 0.5 million during fiscal 2016.

At year-end fiscal 2017, ICICI Bank Canada had eight branches and total assets of CAD 6.3 billion. ICICI Bank Canada incurred a net loss of CAD 33 million in fiscal 2017 as compared to a net profit of CAD 22 million in fiscal 2016.

See also "*Risk Factors—Risks Relating to India and Other Economic and Market Risks—Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the price of our equity shares and ADSs*" and "*Risk Factors—Risks Relating to Our Business—Our international operations increase the complexity of the risks that we face*".

Delivery Channels

We deliver our products and services through a variety of channels, ranging from traditional bank branches to ATMs, call centers, the Internet and mobiles. At year-end fiscal 2017, we had a network of 4,850 branches across several Indian states.

The following table sets forth the number of branches broken down by area at year-end fiscal 2017.

	At March 31, 2016		At March 31, 2017	
	Number of branches and extension counters	% of total	Number of branches and extension counters	% of total
Metropolitan	1,159	26.0 %	1,287	26.5 %
Urban	997	22.4	1,050	21.7
Semi-urban	1,341	30.1	1,442	29.7
Rural	953	21.4	1,071	22.1
Total branches and extension counters	4,450	100.0%	4,850	100.0%

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our banking outlets must be located in tier 5 and tier 6 centers defined on the basis of the population size according to the 2011 census. See also "*Supervision and Regulation—Regulations Relating to the Opening of Branches*". At year-end fiscal 2017, we were in compliance with this condition. At year-end fiscal 2017, we had 13,882 ATMs, of which 4,988 were located at our branches. We view our branch as key points of customer acquisition and service. The branch network serves as an integrated channel for deposit mobilization and selected retail asset origination.

We believe that developments in technology are changing the way customers engage with banks and meet their banking needs. We offer our products and services through a number of technology-enabled channels. Our customers can perform a wide range of transactions at our ATMs. We are also deploying automated devices, such as cash acceptance machines, at our branches to improve customer experience as well as efficiency of our operations. Our employees open new customer accounts by using tablets to capture customer information digitally. Through our website, www.icicibank.com, we offer our customers, both retail and corporate, online access to account information, payment and fund transfer facilities and various other services including purchase of investment and insurance products. We provide telephone banking facilities through our call centers. We are expanding our suite of services through mobile telephones, including mobile banking applications for account access and various transactions, and a mobile wallet. Our customers can also access their accounts and perform transactions via social media platforms. During fiscal 2017, we introduced Chatbots, an artificial intelligence enabled chat feature to perform various banking transactions. We worked closely with the National Payments Corporation of India for the development of the Unified Payment Interface, a payment platform which allows instant fund transfer to any bank account using a virtual payment address, without requiring bank account details. The Unified Payment Interface has been promoted by us through various platforms, such as our mobile application and our digital wallet. We also enabled payment through the Bharat Interface for Money, a mobile application promoted by the government of India and built using the Unified Payment Interface. We further enabled payments using the Unified Payment Interface for users of the Truecaller app in India. We developed a mobile application for merchants in India, 'Eazypay', which allows merchants to accept payments on mobile phones through multiple modes including credit/debit cards of any bank, internet banking and our digital wallet. See also "*Technology*".

Investment Banking

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

Treasury

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

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement and ensuring the smooth functioning of all our branches. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. At year-end fiscal 2017, ICICI Bank was required to maintain the statutory liquidity ratio requirement percentage at 20.5% of its domestic net demand and time liabilities by way of approved securities such as government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of government of India securities that it actively manages to optimize the yield and benefit from price movements. Further, as a prudent liquidity management strategy, we generally maintain excess investments in securities eligible for classification under the statutory liquidity ratio requirement. See also “*Supervision and Regulation—Legal Reserve Requirements*”.

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

ICICI Bank’s domestic investment portfolio is classified into three categories —held-to-maturity, available-for-sale and held-for-trading. Investments are classified as held-to-maturity subject to the current regulation issued by the Reserve Bank of India. Investments acquired by us with the intention to trade by taking advantage of the short-term price/interest rate movements are classified as held-for-trading. The investments which do not fall in the above two categories are classified as available-for-sale. Investments under the held-for-trading category should be sold within 90 days. Under each category the investments are classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others. Investments classified under the held-to-maturity category are not marked to market and are carried at acquisition cost, unless the acquisition cost is more than the face value, in which case the premium is amortized over the period until maturity of such securities. At year-end fiscal 2017, 74.2% of ICICI Bank's government securities portfolio was in the held-to-maturity category. Any premium over the face value of investments in government securities, classified as available-for-sale, is amortized over the period until maturity of such securities. The individual securities in the available-for-sale category are marked to market. Investments under this category are valued security-wise and depreciation/appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual securities in the held-for-trading category are accounted for in a similar manner as those in the available-for-sale category.

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

	At March 31, 2015			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 130,904	Rs. 1,882	Rs. (385)	Rs. 132,401
Government securities	207,817	790	(187)	208,420
Other debt securities[1]	126,776	3,766	(493)	130,049
Total debt securities	465,497	6,438	(1,065)	470,870
Equity securities	46,898	23,767	(8,652)	62,013
Other investments[2]	24,462	3,637	(5,493)	22,606
Total	Rs. 536,857	Rs. 33,842	Rs. (15,210)	Rs. 555,489

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

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

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

	At March 31, 2017			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 73,836	Rs. 2,198	Rs. (368)	Rs. 75,666
Government securities	287,716	1,137	(48)	288,805
Other debt securities	166,709	1,189	(495)	167,403
Total debt securities	528,261	4,524	(911)	531,874
Equity securities	86,066	34,703	(14,786)	105,983
Other investments[1]	68,550	13,579	(984)	81,145

Total	Rs.682,877	Rs.52,806	Rs.(16,681)	Rs.719,002

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

The investments in corporate debt securities decreased from Rs. 118.8 billion at year-end fiscal 2016 to Rs. 73.8 billion at year-end fiscal 2017, primarily due to a decrease in investment in corporate bonds and debentures. The investment in government securities increased from Rs. 246.8 billion at year-end fiscal 2016 to Rs. 287.7 billion at year-end fiscal 2017 primarily due to an increase in investment in government securities by ICICI Bank. Investments in other debt securities increased from Rs. 110.4 billion at year-end fiscal 2016 to Rs. 166.7 billion at year-end fiscal 2017, primarily due to an increase in investment in pass through certificate securities with underlying Indian receivables by ICICI Bank. Investments in equity shares increased from Rs. 63.8 billion at year-end fiscal 2016 to Rs. 86.1 billion at year-end fiscal 2017 primarily due to an increase in the equity portfolio of ICICI Bank, ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. Other investments increased from Rs. 23.7 billion at year-end fiscal 2016 to Rs. 68.6 billion at year-end fiscal 2017 primarily due to an increase in investment in security receipts issued by asset reconstruction companies and investments in liquid mutual funds by ICICI Prudential Life Insurance Company.

Net unrealized gain on debt investments increased from Rs. 2.5 billion at year-end fiscal 2016 to Rs. 3.6 billion at year-end fiscal 2017 primarily due to an increase in net unrealized gain on corporate debt securities and government securities. Net unrealized gain on corporate debt securities increased from Rs. 1.1 billion at year-end fiscal 2016 to Rs. 1.8 billion at year-end fiscal 2017. Net unrealized gain on government securities increased from Rs. 0.6 billion at year-end fiscal 2016 to Rs. 1.1 billion at year-end fiscal 2017. The yields on the benchmark 10-year Government securities decreased from 7.4% at March 31, 2016 to 6.7% at March 31, 2017. Net unrealized gain on equity securities increased from Rs. 10.7 billion at year-end fiscal 2016 to Rs. 19.9 billion at year-end fiscal 2017. The benchmark equity index, the BSE Sensex, increased by 16.9% from 25,342 at year-end fiscal 2016 to 29,621 at year-end fiscal 2017. Net unrealized gain on other investment increased from Rs. 2.3 billion at year-end fiscal 2016 to Rs. 12.6 billion at year-end fiscal 2017 primarily due to an increase in net mark-to-market gains on security receipts issued by asset reconstruction companies.

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

	Year ended March 31,			
	2015	2016	2017	2017
	(in millions)			
Interest	Rs.31,219	Rs.30,766	Rs.34,736	US$536
Dividend	1,025	1,180	1,416	22
Total	Rs.32,244	Rs.31,946	Rs.36,152	US$558
Gross realized gain	13,394	8,413	14,489	US$223
Gross realized loss	(1,609)	(4,028)	(2,721)	(42)
Total	Rs.11,785	Rs.4,385	Rs.11,768	US$181

Interest and dividend income from our available-for-sale securities portfolio increased from Rs. 31.9 billion in fiscal 2016 to Rs. 36.2 billion in fiscal 2017. The net realized gain from our available-for-sale securities increased from Rs. 4.4 billion in fiscal 2016 to Rs. 11.8 billion in fiscal 2017 primarily due to higher net realized gains from the equity and fixed income portfolios. In fiscal 2017, equity market improved and yield on securities declined resulting in better opportunities to realize gains on these securities.

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

	At March 31, 2017							
	Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions, except percentages)							
Corporate debt securities	Rs.9,864	4.5%	Rs.49,203	6.7%	Rs.10,044	7.0 %	Rs.4,726	9.2%
Government securities	180,970	6.0	90,467	6.6	15,244	7.6	1,035	7.7
Other securities	32,494	5.9	98,513	7.5	292	10.4	35,409	8.1
Total amortized cost of interest-earning securities[(1)]	Rs.223,328	5.9%	Rs.238,183	7.0%	Rs.25,580	7.4 %	Rs.41,170	8.2%

Total fair value	Rs.223,788	Rs.238,672	Rs.26,288	Rs.43,127

(1) Includes securities denominated in different currencies.

The amortized cost of our held-to-maturity portfolio decreased marginally from Rs. 1,226.0 billion at year-end fiscal 2016 to Rs. 1,223.0 billion at year-end fiscal 2017 primarily due to a decrease in investment in government securities, commercial papers and certificate of deposits, offset, in part, by an increase in corporate debt securities. Net unrealized gain on held-to-maturity portfolio increased from Rs. 14.5 billion at year-end fiscal 2016 to Rs. 34.9 billion at year-end fiscal 2017 primarily due to an increase in unrealized gain on government securities. Unrealized gains on government securities increased primarily due to a decline in yield on government securities. The yield on the benchmark 10-year Government securities decreased from 7.4% at March 31, 2016 to 6.7% at March 31, 2017. Interest income on held-to-maturity debt portfolio increased from Rs. 93.5 billion in fiscal 2016 to Rs. 97.1 billion in fiscal 2017 due to an increase in average investment portfolio in held-to-maturity category in fiscal 2017 as compared to fiscal 2016.

Investments in held-for-trading securities decreased from Rs. 308.4 billion at year-end fiscal 2016 to Rs. 239.2 billion at year-end fiscal 2017 primarily due to a decrease in investment in government securities and certificate of deposit, offset, in part, by an increase in investment in corporate bonds and debentures. Interest and dividend income on held-for-trading securities increased from Rs. 17.8 billion in fiscal 2016 to Rs. 21.3 billion in fiscal 2017. Net realized and unrealized gains on the held-for-trading portfolio increased from Rs. 1.8 billion in fiscal 2016 to Rs. 9.1 billion in fiscal 2017 primarily due to higher realized/unrealized gains on government and other domestic fixed income securities reflecting higher trading opportunities in fiscal 2017.

At year-end fiscal 2017, we have investments in equity shares amounting to Rs. 108.2 billion. The Reserve Bank of India restricts investments in equity securities by banks by prescribing limits linked to capital funds. See also "*Supervision and Regulation—Reserve Bank of India Regulations—Regulations Relating to Investments and Capital Market Exposure Limits*".

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

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

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

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

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

	At March 31, 2016		
	Bonds[(2),(3)]	Others	Total

	Asset backed securities [1],[2]										
	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Mark-to-market gain/ (loss) in fiscal 2016	Realized gain/(loss)/ Impairment loss in income statement for fiscal 2016	Mark-to-market gain/ (loss) at March 31, 2016
	(Rs. in millions)										
U.S.	–	–	–	–	–	–	–	–	(1)	8	-
Canada	–	–	–	43,301	–	–	–	43,301	(118)	14	204
Europe	–	5,016	–	3,305	–	–	–	8,321	(146)	0	(1,214)
India	–	–	–	49,773	–	–	–	49,773	(522)	(169)	(129)
Rest of Asia	–	–	–	–	–	1,325	–	1,325	0	1	0
Total portfolio	–	5,016	–	96,379	–	1,325	–	102,720	(787)	(146)	(1,139)

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

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

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

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	At March 31, 2017										
	Asset backed securities [1],[2]		Bonds[2],[3]		Others		Total				
	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Mark-to-market gain/ (loss) in fiscal 2017	Realized gain/(loss)/ Impairment loss in income statement for fiscal 2017	Mark-to-market gain/ (loss) at March 31, 2017
	(Rs. in millions)										
U.S.	–	–	–	762	–	–	–	762	(2)	-	(2)
Canada	–	–	–	28,268	–	–	–	28,268	(203)	450	1
Europe	–	2,782	–	1,451	–	–	–	4.233	338	0	(862)
India	–	–	–	42,500	–	–	–	42,500	(120)	(151)	(243)
Rest of Asia	–	–	–	–	–	3,306	–	3,306	(1)	-	(1)
Total portfolio	–	2,782	–	72,981	–	3,306	–	79,069	12	299	(1,107)

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

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

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

Investments in corporate and financial sector debt securities and mortgage and asset backed securities by our overseas branches and banking subsidiaries decreased from Rs. 102.7 billion at year-end fiscal 2016 to Rs. 79.1 billion at year-end fiscal 2017 primarily due to a decrease in investments in bonds held by our Canadian subsidiary due to call back/maturity of bonds. At year-end fiscal 2017, our investments in Europe were Rs. 4.2 billion as compared to Rs. 8.3 billion at year-end fiscal 2016. The majority of our investments in Europe are in the United Kingdom.

The mark-to-market losses on the investment portfolio of our overseas branches and subsidiaries were Rs. 1.1 billion at year-end fiscal 2016 and year-end fiscal 2017. During fiscal 2017, there was a mark-to-market gain of Rs. 0.01 billion compared to a loss of Rs. 0.8 billion during fiscal 2016. Net realized gain/(loss) and impairment loss was a net gain of Rs. 0.3 billion during fiscal 2017 as compared to a net realized gain/(loss) and impairment loss was a net loss of Rs. 0.1 billion during fiscal 2016.

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

Category	At March 31 2016	2017
	(in millions)	
Bonds		
Banks and financial institutions	Rs. 35,133	Rs. 25,086
Corporate	61,246	47,895
Total bonds	96,379	72,981
Asset backed securities	5,016	2,782
Others[1]	1,325	3,306
Total	Rs. 102,720	Rs. 79,069

(1) Includes investments in certificates of deposits.

Our investments in securities of banks and financial institutions are spread over a number of banks and of this the investment in the top 10 banks accounted for approximately 94.6% of the total investments in banks and financial institutions at year-end fiscal 2017 as compared to approximately 89.2% at year-end fiscal 2016.

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Approximately 36.4% of our investment in securities of corporate entities was India-linked at year-end fiscal 2017 as compared to approximately 31.6% at year-end fiscal 2016.

The bond portfolio decreased from Rs. 96.4 billion at year-end fiscal 2016 to Rs. 73.0 billion at year-end fiscal 2017 primarily due to call-back/maturity of bonds held by our Canadian subsidiary. Our total investment in asset backed securities represents less than 0.5% of our total assets at year-end fiscal 2017. The portfolio size of such securities was Rs. 2.8 billion and primarily comprised retail mortgage backed securities. The retail mortgage backed securities portfolio consists primarily of UK residential mortgage backed securities backed by prime and buy-to-let mortgages.

At year-end fiscal 2017, the fair value of investments in the government securities held by our overseas branches and banking subsidiaries was Rs. 54.4 billion, which was primarily in Canada.

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

ICICI Securities Limited

ICICI Securities Limited is an integrated securities firm offering a wide range of services including investment banking, institutional broking, retail broking, private wealth management and financial product distribution. ICICI Securities Limited has an online share trading portal called icicidirect.com. The primary objective of icicidirect.com is to enable individuals to make investments and to offer a wide range of investment options by providing a seamless structure that integrates a customer’s bank account, demat account and trading account. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has a subsidiary in the United States, ICICI Securities Inc., which is registered as a broker dealer with the Securities and Exchange Commission. ICICI Securities Inc., which is a member of the Financial Industry Regulatory Authority in the United States and also has a branch office in Singapore that is registered with the Monetary Authority of Singapore where it holds the capital markets services license for dealing in securities in Singapore. ICICI Securities is also registered as an international dealer in Canada in the provinces of British Columbia, Ontario and Quebec. ICICI Securities Limited (consolidated) earned a net profit of Rs. 3.4 billion in fiscal 2017 compared to a net profit of Rs. 2.4 billion in fiscal 2016.

ICICI Securities Primary Dealership

ICICI Securities Primary Dealership is engaged in the primary dealership of Indian government securities. It also deals in other fixed income securities. In addition to this, it has underwriting, portfolio management services and placement of debt and money market operations. ICICI Securities Primary Dealership earned a net profit of Rs. 4.1 billion in fiscal 2017 compared to a net profit of Rs. 2.0 billion in fiscal 2016. The revenues of the business are directly linked to conditions in the fixed income market.

Venture Capital and Private Equity

Our subsidiary ICICI Venture Funds Management Company Limited is a diversified specialist alternative asset manager with a presence across private equity, real estate, infrastructure and special situations. During fiscal 2017, ICICI Venture successfully concluded the first and final closing of a power platform, Resurgent Power Ventures Limited (which is co-sponsored by ICICI Venture and Tata Power Company) with aggregate commitments of USD 843 million. ICICI Venture also concluded further closings of its fourth private equity fund, India Advantage Fund Series 4, taking its total capital to USD 315 million (including co-investment capital). ICICI Venture reported a net profit of Rs. 0.1 billion in fiscal 2017 compared to a net loss of Rs. 0.2 billion in fiscal 2016.

Asset Management

We provide asset management services through our subsidiary, ICICI Prudential Asset Management Company. ICICI Prudential Asset Management Company is a joint venture with Prudential PLC of the United Kingdom. We have approximately 51.0% interest in the entity. ICICI Prudential Asset Management Company also provides portfolio management services and advisory services to clients. ICICI Prudential Asset Management Company had average mutual fund assets under management of Rs. 2,429.6 billion during fiscal 2017. ICICI Prudential Asset Management Company earned a net profit of Rs. 4.8 billion during fiscal 2017 compared to a net profit of Rs. 3.3 billion in fiscal 2016.

Insurance

We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. ICICI Prudential Life Insurance Company is a joint venture with Prudential Corporation Holding Limited, a part of the Prudential PLC group of the United Kingdom. ICICI Lombard General Insurance Company was formed as a joint venture with Fairfax Financial Holdings of Canada. The joint venture was terminated on July 3, 2017.

In fiscal 2015, the Indian parliament approved legislation increasing the foreign shareholding limit in the insurance sector from 26.0% to 49.0%, and removing the requirement that promoters of insurance companies eventually reduce their shareholding to 26.0% following the completion of 10 years of commencement of business by the insurance company. Final regulations were issued by the government of India in fiscal 2016. Subsequently, we sold approximately 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, during fiscal 2016. In September 2016, we sold a further 12.63% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale in an initial public offering of the company’s shares. ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited on September 29, 2016. After this sale, our share ownership in ICICI Prudential Life Insurance Company came down from approximately 74% to approximately 55%.

The Insurance Regulatory and Development Authority of India had invited six life insurance companies, including our life insurance subsidiary, to assess their interest in taking over the liabilities of policyholders’ along with the corresponding assets of Sahara India Life Insurance Company Limited. Our life insurance subsidiary had accordingly made a proposal and subsequently received the order from the Insurance Regulatory and Development Authority of India to takeover the life insurance portfolio of Sahara India Life Insurance Company Limited on July 28, 2017. This transaction will be considered as a transfer, not a merger, of the life insurance portfolio and is less than 1.0% of our life insurance subsidiary’s balance sheet. Sahara India Life Insurance Company has appealed against the order.

We also sold a 9.0% stake in our general insurance company, ICICI Lombard General Insurance Company, to our then joint venture partner, Fairfax Financial Holdings (through its affiliate), during fiscal 2016. Following the transaction, the share ownership in ICICI Lombard General Insurance Company of ICICI Bank and Fairfax Financial Holdings Limited were approximately 64% and 35%, respectively. In July 2017, Fairfax Financial Holdings (through its affiliate) sold equity shares comprising 12.18% of the issued and paid-up capital of the company to three investors. In June 2017, our Board of Directors approved the sale of a part of our shareholding in ICICI Lombard General Insurance Company Limited in an initial public offering by the company, subject to requisite approvals and market conditions. In pursuance of the proposed initial public offering, on July 3, 2017 our joint venture agreement with

Fairfax Financial Holdings was terminated with provisions for protection of the parties in the event of non-completion of the proposed initial public offering within the timelines specified in the termination agreement. ICICI Lombard General Insurance Company has filed a draft red herring prospectus with the Securities and Exchange Board of India for the proposed public offering. The Bank will continue to hold more than 50.0% shareholding in the general insurance subsidiary post the proposed initial public offer.

ICICI Prudential Life Insurance Company had an overall market share of 12.0% based on retail weighted new business received premium in fiscal 2017, as compared to a market share of 11.2% for its nearest private sector competitor. It also had a market share of 22.3% in the private sector for premiums received from retail weighted new business in fiscal 2017 compared to 21.9% in fiscal 2016 according to the Life Insurance Council. The total premium increased by 16.6% from Rs. 191.6 billion during fiscal 2016 to Rs. 223.5 billion in fiscal 2017. The retail renewal premium increased by 18.5% from Rs. 120.0 billion in fiscal 2016 to Rs. 142.2 billion in fiscal 2017. The retail new business premium increased from Rs. 54.6 billion in fiscal 2016 to Rs. 70.7 billion in fiscal 2017. ICICI Prudential Life Insurance Company earned a net profit of Rs. 16.9 billion during year-end fiscal 2017 compared to a net profit of Rs. 16.5 billion during year-end fiscal 2016.

In fiscal 2010, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. As a result of these changes, the life insurance sector experienced low growth and changes in the product mix in recent years, as life insurance companies were required to modify their products and distribution strategies. While there was initially a shift in the product mix towards non-unit linked products, more recently the share of unit-linked products has increased primarily due to favorable cost structures of these products from a customer perspective, as well as improved capital market conditions. Linked products contributed to 84.1% of the annualized premium equivalent of ICICI Prudential Life Insurance Company in fiscal 2017 compared to 80.8% in fiscal 2016 and 83.1% in fiscal 2015. See also "*Risk Factors – Risks Relating to Our Business – While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*" and "*Operating and Financial Review and Prospects – Segment Revenues and Assets – Life Insurance*". Further, the Insurance

Regulatory and Development Authority of India has issued guidelines on bancassurance (i.e., the practice of banks selling insurance products in a marketing arrangement with insurance companies). As per the guidelines, banks can align with three insurance companies each in life, non-life and health insurance sectors.

ICICI Lombard General Insurance Company's gross direct premium income increased by 32.6% from Rs. 80.9 billion during fiscal 2016 to Rs. 107.3 billion during fiscal 2017. ICICI Lombard General Insurance Company was the largest private general insurer with a market share of about 8.4% in gross direct premium income amongst all general insurance companies during fiscal 2017 according to General Insurance Council of India. ICICI Lombard General Insurance Company earned a net profit of Rs. 7.0 billion in fiscal 2017 compared to a net profit of Rs. 5.1 billion in fiscal 2016.

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

Funding

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

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

Our deposits were 52.0% of our total liabilities at year-end fiscal 2017 compared to 49.1% of our total liabilities at year-end fiscal 2016. Our borrowings were 19.1% of our total liabilities at year-end fiscal 2017 compared to 24.0% of our total liabilities at year-end fiscal 2016. Our deposits increased by 13.6% from Rs. 4,510.8 billion at year-end fiscal 2016 to Rs. 5,125.9 billion at year-end fiscal 2017. Our borrowings decreased by 14.6% from Rs. 2,203.8 billion at year-end fiscal 2016 to Rs. 1,882.9 billion at year-end fiscal 2017 primarily due to a decrease in call and term money borrowings, refinance borrowings, borrowings with the Reserve Bank of India under liquidity adjustment facility and subordinated bond borrowings, offset, in part, by an increase in bond borrowings.

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

	At March 31, 2015		**2016**		**2017**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions, except percentages)					
Current account deposits	Rs. 504,596	13.1 %	Rs. 603,389	13.4 %	Rs. 767,900	15.0 %
Savings deposits	1,221,062	31.6	1,444,551	32.0	1,790,098	34.9
Time deposits	2,133,894	55.3	2,462,834	54.6	2,567,875	50.1
Total deposits	Rs. 3,859,552	100.0%	Rs. 4,510,774	100.0%	Rs. 5,125,873	100.0%

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

	Year ended March 31, (1)						
	2015		2016		2017		
	Amount	Cost(2)	Amount	Cost(2)	Amount	Amount	Cost(2)
	(in millions, except percentages)						
Interest-bearing deposits:							
Savings deposits	Rs. 1,058,154	3.8 %	Rs. 1,207,983	3.8 %	Rs. 1,474,489	US$ 22,737	3.8 %
Time deposits	2,155,184	7.8	2,348,344	7.4	2,546,886	39,273	6.9
Non-interest-bearing deposits:							
Other demand deposits	326,162	—	384,167	—	476,799	7,352	—
Total deposits	Rs. 3,539,500	5.9 %	Rs. 3,940,495	5.6 %	Rs. 4,498,174	US$ 69,362	5.2 %

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

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

Our average deposits increased from Rs. 3,940.5 billion at an average cost of 5.6% in fiscal 2016 to Rs. 4,498.2 billion at an average cost of 5.2% in fiscal 2017 primarily due to significantly higher current account and savings account deposit inflows in the second half of fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India. Our average time deposits increased from Rs. 2,348.3 billion at an average cost of 7.4% in fiscal 2016 to Rs. 2,546.9 billion at an average cost of 6.9% in fiscal 2017. The cost of time deposits decreased from 7.4% in fiscal 2016 to 6.9% in fiscal 2017 primarily due to a reduction of term deposit rates by ICICI Bank on select maturities reflecting the softening of interest rates in India. Our savings deposits include retail savings deposits accepted by ICICI Bank UK PLC. See also "*Operating and Financial Review and Prospects—Financial Condition—Deposits*".

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

	At March 31, 2017			
	Up to one year	After one year and within three years	After three years	Total
	(in millions)			
Interest-bearing deposits:				
Savings deposits	Rs. 1,790,098	Rs. –	Rs. –	Rs. 1,790,098
Time deposits	2,037,943	424,621	105,311	2,567,875

Non-interest-bearing deposits:				
Other demand deposits	767,900	–	–	767,900
Total deposits	Rs.4,595,941	Rs.424,621	Rs.105,311	Rs.5,125,873

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

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

	At March 31,[1]						
	2015		2016		2017		
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
	(in millions, except percentages)						
Money market borrowings[2],[3]	Rs.271,944	37.9 %	Rs.290,536	35.6 %	Rs.224,819	US$3,467	26.9 %
Other borrowings[4],[5]	446,031	62.1	525,375	64.4	609,683	9,401	73.1
Total	Rs.717,975	100.0%	Rs.815,911	100.0%	Rs.834,502	US$12,868	100.0%

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

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

(3) With an average cost of 8.7% in fiscal 2015, 7.7% in fiscal 2016 and 6.7% in fiscal 2017.

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

(5) With an average cost of 11.6% in fiscal 2015, 11.1% in fiscal 2016 and 10.1% in fiscal 2017.

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

	At March 31,			
	2016	2017		% of total deposits
	(in millions, except percentages)			
Less than three months	Rs. 330,880	Rs. 415,568	US$ 6,408	8.1 %
Above three months and less than six months	198,180	299,154	4,613	5.8
Above six months and less than 12 months	323,658	245,762	3,790	4.8
More than 12 months	37,886	75,202	1,160	1.5
Total deposits of Rs. 10 million and more	**Rs. 890,604**	**Rs. 1,035,686**	**US$ 15,971**	**20.2 %**

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

	At March 31, (1)		
	2015	2016	2017
	(in millions, except percentages)		
Year-end balance	Rs. 348,867	Rs. 248,793	Rs. 106,591
Average balance during the year (2)	271,944	290,536	224,819
Maximum quarter-end balance	348,867	249,200	233,533
Average interest rate during the year (3)	8.7 %	7.7 %	6.7 %
Average interest rate at year-end (4)	8.7 %	7.7 %	6.6 %

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

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

(3) Represents the ratio of interest expense on short-term borrowings to the average balances of short-term borrowings

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

Following the withdrawal of high denomination currency notes in November 2016, there was a significant increase in savings and current account deposits leading to rise in liquidity for banks and resultant decrease in short term borrowings. Our short-term rupee borrowings decreased from Rs. 248.8 billion at year-end fiscal 2016 to Rs. 106.6 billion at year-end fiscal 2017.

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

	For year ended March 31,(1)						
	2015		2016		2017		
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
	(in millions, except percentages)						
Bond borrowings [2]	Rs. 510,239	42.9 %	Rs. 548,838	41.0 %	Rs. 558,214	US$ 8,608	43.0 %
Other borrowings [3]	678,076	57.1	789,163	59.0	739,383	11,401	57.0
Total	Rs. 1,188,315	100.0%	Rs. 1,338,001	100.0%	Rs. 1,297,597	US$ 20,009	100.0%

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

(2) With an average cost of 5.1% in fiscal 2015, 4.8% in fiscal 2016 and 4.6% in fiscal 2017.

(3) With an average cost of 2.0% in fiscal 2015, 1.6% in fiscal 2016 and 1.8% in fiscal 2017.

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At year-end fiscal 2017, the outstanding debt capital instruments were Rs. 360.6 billion. The outstanding debt capital instruments include debt that is classified either as Additional Tier I or Tier II capital in calculating the capital adequacy ratio as per the grandfathering rules in accordance with the Reserve Bank of India's regulations on capital adequacy as per Basel III. See also "*Supervision and Regulation—Reserve Bank of India Regulations*".

Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

We are primarily exposed to credit risk, market risk, liquidity risk, operational risk and reputation risk. We have centralized groups, the Risk Management Group, the Compliance Group, the Corporate Legal Group, the Financial Crime Prevention and Reputation Risk Management Group and the Internal Audit Group with a mandate to identify, assess and monitor all of our principal risks in accordance with well-defined policies and procedures. In addition, the Credit Monitoring Group, Treasury Control and Services Group and the Operations Group monitor operational adherence to regulations, policies and internal approvals.

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

Credit Risk

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

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

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

The risk environment is currently volatile due to factors such as slowdown in the capital expenditure cycle in India, high leverage in some corporate groups and event risks. Considering these aspects, we have established a risk appetite and limit structure, with respect to credit risk, and specifically concentration risk.

We have taken the following key measures:

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

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

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

- enhanced monitoring of retail product portfolios through periodic reviews and vintage curve analysis.

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

Credit Approval Authorities

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

The Bank has established several levels of credit approval authorities for its corporate banking activities -the Credit Committee, the Committee of Executive Directors, the Committee of Senior Management, the Committee of Executives and Regional Committees. For certain exposures to small and medium enterprises and rural and agricultural loans under programs, separate forums have been established for approval. These forums sanction programs formulated through a cluster-based approach wherein a lending program is implemented for a homogeneous group of individuals or business entities that comply with certain norms. To be eligible for funding under the programs, borrowers need to meet the stipulated credit norms and obtain a minimum score on a scoring model. We have incorporated control norms, borrower approval norms and review triggers in all such programs.

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

Credit Risk Assessment Methodology for Standalone Entities

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

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

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

Borrower risk is evaluated by considering:

- the risks and prospects associated with the industry in which the borrower is operating (industry risk);
- the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);
- the borrower's relative market position and operating efficiency (business risk);

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

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

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

On our current rating scale, ratings of below BBB- (i.e., BB and B ratings) are considered to be relatively high-risk categories. Our current credit policy does not expressly provide a minimum rating required for a borrower to be considered for a loan. All corporate loan proposals with an internal rating of below BBB- are sent to our Credit Committee for its approval, which is constituted by a majority of non-executive directors.

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

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

At year-end fiscal 2017, our net non-investment grade loans including net non-performing and net restructured loans, constituted about 14.0% of our total net loans.

Working capital loans are generally approved for a period of 12 months for facilities internally rated BBB+ or below and 24 months for transaction for facilities internally rated A- or above. At the end of the 12-month validity period, we review the loan arrangement and the credit rating of the borrower. On completion of this review, a decision is made on whether to renew the working capital loan arrangement.

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

Assessment of Project Finance Exposures

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

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

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

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

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

Assessment of Corporate Finance Exposures

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

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

- carrying out a detailed analysis of cash flows to forecast the amounts that will be paid and the timing of the payments based on an exhaustive analysis of historical data;
- conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and
- paying particular attention to the legal, accounting and tax issues that may impact the structure.

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

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

- assessment of the industry structure in the target's host country and the complexity of the business operations of the target;
- financial, legal, tax, technical due diligence (as applicable) of the target;
- appraisal of potential synergies and likelihood of their being achieved;
- assessment of the target company's valuation by comparison with its peer group and other transactions in the industry;
- analysis of regulatory and legal framework of the overseas geographies with regard to security creation, enforcement and other aspects;
- assessment of country risk aspects and the need for political insurance; and
- the proposed management structure of the target post-takeover and the ability and past experience of the acquirer in completing post-merger integration.

Assessment of Working Capital Finance Exposures

We carry out a detailed analysis of borrowers' working capital requirements. Credit limits are established in accordance with the credit approval authorization approved by the Bank's Board of Directors. Once credit limits are approved, we calculate the amounts that can be lent on the basis of monthly statements provided by the

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borrower and the margins stipulated. Quarterly information statements are also obtained from borrowers to monitor the performance on a regular basis. Monthly cash flow statements are obtained where considered necessary. Any irregularity in the conduct of the account is reported to the appropriate authority on a regular basis. Credit limits are reviewed on a periodic basis.

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

Assessment of Retail Loans

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

The Credit and Policy Group is responsible for preparing credit policies/operating policies. The Credit Risk Management Group oversees the credit risk issues for retail assets including the review of all credit policies and operating policies proposed for approval by the Board or forums authorized by the Board. The Credit Risk Management Group is involved in portfolio monitoring of all retail assets and in suggesting and implementing policy changes. Independent units within retail banking, focus on customer-segment specific strategies, policy formulation, portfolio tracking and monitoring, analytics, score card development and database management. The credit team, which is independent from the business unit, oversees the underwriting function and is organized geographically to support the retail sales and service structure.

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

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

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

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

Assessment Procedures for Small Enterprises Loans

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

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

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

Assessment Procedures for Rural and Agricultural Loans

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

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

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

For corporations, borrower risk is evaluated by analyzing the industry risk, the borrower's market position, financial performance, cash flow adequacy and the quality of management. The credit risk of intermediaries (including vendors, dealers, harvester & transporter, seed organizers, micro finance institutions) and retail customers is evaluated by analyzing the base credit quality of such borrowers or the pool of borrowers and also the linkages between the borrowers and the companies to which they are supplying their produce.

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

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

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

Risk Monitoring and Portfolio Review

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

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

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

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

Quantitative and Qualitative Disclosures About Market Risk

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

Market Risk Management Procedures

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

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

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

Interest Rate Risk

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

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

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

ICICI Bank's primary source of funding is deposits and, to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings account deposits and current account deposits, which do not have any specified maturity and can be withdrawn on demand. Current account deposits in the domestic operations are non-interest bearing. The Reserve Bank of India has deregulated interest rates on saving account deposits from October 25, 2011. The rate of interest on savings account deposits currently offered by ICICI Bank is 4%. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans are generally repaid gradually, with principal repayments being made over the life of the loan.

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

Based on the revised guidelines of the Reserve Bank of India, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are priced with reference to a new internal benchmark to be called Marginal Cost of funds based Lending rate. Banks are required to publish Marginal Cost of funds based Lending rate for various tenures such as overnight, one month, three months, six months and one year. Marginal Cost of funds based Lending rate includes marginal cost of funds, negative carry on cash reserve ratio and operations cost and tenure premium/discount for various tenures. The Asset Liability Management Committee sets the ICICI Bank Marginal Cost of funds based Lending rate. As required by the Reserve Bank of India guidelines, the Bank publishes the ICICI Bank Marginal Cost of funds based Lending rate for various tenures on a monthly basis. Pricing for floating rate approvals and renewal of rupee facilities are linked to the ICICI Bank Marginal Cost of funds based Lending rate and comprise the ICICI Bank Marginal Cost of funds based Lending rate and spread. The Reserve Bank of India has also stipulated that a bank's lending rates for rupee loans cannot be lower than its Marginal Cost of funds based Lending rate, except for certain exemptions. As prescribed in the Reserve Bank of India guidelines, existing borrowers will also have the option to move to the Marginal Cost of funds based Lending rate linked loan at mutually acceptable terms. Any change in the Marginal cost of funds based lending rate is generally passed on to borrowers under various facilities at different periodicity, of up to one year. All loans approved before April 1, 2016, and where the borrowers choose not to migrate to the Marginal Cost of funds based Lending rate system, would continue to be based on the earlier benchmark rate regimes.

Pursuant to regulatory reserve requirements, we maintain a large part of our assets in government of India securities and in interest-free balances with the Reserve Bank of India, which are funded mainly by deposits and borrowings. This exposes us to the risk of differential movement in the yield earned on statutory reserves and the related funding cost.

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

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

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

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

	At March 31, 2017[(1)]			
	Less than or equal to one year	Greater than one year and up to five years	Greater than five years	Total
	(in millions)			
Loans, net	Rs. 4,259,920	Rs. 832,446	Rs. 60,807	Rs. 5,153,173
Investments	447,768	668,272	1,928,977	3,045,017
Other assets[(2)]	489,375	141,382	940,514	1,571,271
Total assets	5,197,063	1,642,101	2,930,298	9,769,462
Stockholders' equity and preference share capital	-	-	1,046,320	1,046,320
Borrowings	882,226	684,176	316,465	1,882,868
Deposits	2,648,635	2,284,582	192,656	5,125,873
Other liabilities	3,635	-	1,801,732	1,805,366
Total liabilities	3,534,495	2,968,759	3,357,173	9,860,427
Total gap before risk management positions	1,662,567	(1,326,658)	(426,875)	(90,965)
Off-balance sheet positions[(3)]	(500,385)	436,660	80,826	17,100
Total gap after risk management positions	**Rs. 1,162,182**	**Rs. (889,998)**	**Rs. (346,049)**	**Rs. (73,865)**

(1)

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

(2) Includes cash and balances with the Reserve Bank of India, balances with banks and money at call and short notice and other assets.

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

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

	At March 31, 2017		
	Fixed rate loans	Variable rate loans	Total
	(in millions)		
Loans	Rs. 1,023,970	Rs. 2,711,068	Rs. 3,735,038

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The following table sets forth, using the balance sheet at year-end fiscal 2017 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2018, assuming a parallel shift in the yield curve at year-end fiscal 2017.

	At March 31, 2017			
	Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in millions)			
Rupee portfolio	Rs.(8,408)	Rs.(4,204)	Rs.4,204	Rs.8,408
Foreign currency portfolio	(677)	(339)	339	677
Total	Rs.(9,085)	Rs.(4,542)	Rs.4,542	Rs.9,085

Based on our asset and liability position at year-end fiscal 2017, the sensitivity model shows that net interest income from the banking book for fiscal 2018 would rise by Rs. 9.1 billion if interest rates increased by 100 basis points. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points, net interest income for fiscal 2018 would fall by an equivalent amount of Rs. 9.1 billion.

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

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

Price Risk (Trading Book)

The following table sets forth, using the fixed income portfolio at year-end fiscal 2017 as the base, one possible prediction of the impact of changes in interest rates on the value of our fixed income held-for-trading portfolio, assuming a parallel shift in interest rate curve.

At March 31, 2017				
Change in interest rates (in basis points)				
Portfolio Size	(100)	(50)	50	100
(in millions)				

Indian government securities	Rs. 65,143	Rs. 2,780	Rs. 1,390	Rs. (1,390)	Rs. (2,780)
Corporate debt securities	135,561	2,692	1,346	(1,346)	(2,692)
Total	Rs. 200,704	Rs. 5,472	Rs. 2,741	Rs. (2,741)	Rs. (5,472)

	At March 31, 2017				
	Change in interest rates (in basis points)				
	Portfolio Size (in millions)	(100)	(50)	50	100
Foreign government securities	Rs. 18,460	Rs. 129	Rs. 65	Rs. (65)	Rs. (129)

At year-end fiscal 2017, the total value of our fixed income trading portfolio, including foreign government securities was Rs. 219.2 billion. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 5.6 billion. Conversely, if interest rates fall by 100 basis points, the value of this portfolio would rise by Rs. 5.6 billion. At year-end fiscal 2016, the total value of our fixed income trading portfolio was Rs. 308.4 billion. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would fall by Rs. 7.5 billion. Conversely, if interest rates fell by 100 basis points the value of this portfolio would rise by Rs. 7.5 billion.

The total outstanding notional principal amount of our trading interest rate derivatives portfolio increased from Rs. 4,279.4 billion at year-end fiscal 2016 to Rs. 5,723.5 billion at year-end fiscal 2017. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would rise by Rs. 0.1

billion. The total outstanding notional principal amount of our trading currency derivatives (such as futures, options and cross currency interest rate swaps) increased from Rs. 939.4 billion at year-end fiscal 2016 to Rs. 961.9 billion at year-end fiscal 2017. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would rise by Rs. 1.5 billion. The total outstanding notional principal amount of our trading foreign exchange portfolio increased from Rs. 3,220.9 billion at year-end fiscal 2016 to Rs. 4,166.8 billion at year-end fiscal 2017. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would fall by Rs. 37 million.

Equity Risk

We assume equity risk both as part of our investment book and our trading book. At year-end fiscal 2017, we had a total equity investment portfolio of Rs. 108.2 billion, primarily comprising Rs. 24.1 billion of investments by ICICI Bank and Rs. 82.9 billion of investments by our insurance subsidiaries. Additionally, ICICI Securities and ICICI Securities Primary Dealership also have a small portfolio of equity derivatives. The equity investments of ICICI Bank include the equity portfolio of its proprietary trading group amounting to Rs. 3.5 billion and other equity investments amounting to Rs. 20.6 billion. These other equity investments are acquired primarily from loan conversion and it also includes investment in unlisted equity which are long-term in nature. We also invest in private equity and venture capital funds, primarily those managed by our subsidiary ICICI Venture Funds Management Company. These funds invest in equity and equity linked instruments. Our investments through these funds are similar in nature to our other equity investments and are subject to the same risks. In addition, they are also subject to risks in the form of changes in regulation and taxation policies applicable to such equity funds. For further information on our trading and available-for-sale investments, see "—Overview of Our Products and Services—Investment Banking—Treasury".

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

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

The following table sets forth the high, low, average and period-end value-at-risk for fiscal 2017.

High	Low	Average	At March 31, 2017
Rs. in million			

Value-at-risk	141.3	13.2	44.9	103.8

We monitor the effectiveness of the value-at-risk model by regularly back-testing its performance. Statistically, we would expect to see losses in excess of value-at-risk only 1% of the time over a one-year period. During fiscal 2017, hypothetical loss exceeded the value-at-risk estimates for one day. An analysis of this outlier revealed that the loss occurred on the day when actual movement in the stocks for the day was more than the scenario used to compute value-at-risk for the day.

The following table sets forth a comparison of the hypothetical daily profit/(loss), computed on the assumption of no intra-day trading, and value-at-risk calculated using the historical simulation model during fiscal 2017.

	Average	On March 31, 2017
	Rs. in million	
Hypothetical daily profit/(loss)	3.2	68.0
Value-at-risk	44.9	103.8

The high and low hypothetical daily profit/(loss) during fiscal 2017 was Rs. 111.4 million and Rs. (60.9) million respectively.

While value-at-risk is an important tool for measuring market risk under normal market conditions, it has inherent limitations that should be taken into account, including its inability to accurately predict future losses when extreme events are affecting the markets, because it is based on the assumption that historical market data is indicative of future market performance. Moreover, different value-at-risk calculation methods use different

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assumptions and hence may produce different results, and computing value-at-risk at the close of the business day would exclude intra-day risk. There is also a general possibility that the value-at-risk model may not fully capture all the risks present in the portfolio.

Exchange Rate Risk

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

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

Assuming 1% increase/decrease in each of the foreign currencies against the respective base currency, our exchange rate sensitivity comes to Rs. 29 million at year-end fiscal 2017 compared to Rs. 12 million at year-end fiscal 2016. The above numbers are without any netting benefit across base currencies. We also monitor Greeks of our currency options.

Derivative Instruments Risk

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

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

Credit Spread Risk

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

The following table sets forth, using our held-for-trading portfolio at year-end fiscal 2017 as the base, one possible prediction of the impact of changes in credit spreads on the value of the trading portfolio, assuming a parallel shift in credit spreads.

	At March 31, 2017				
	Change in credit spread (in basis points)				
	Portfolio Size	(100)	(50)	50	100
	(in millions)				
Corporate debt securities	Rs. 135,561	Rs. 2,692	Rs. 1,346	Rs. (1,346)	Rs. (2,692)

At year-end fiscal 2017, our held-for-trading portfolio (excluding government securities) was Rs. 135.6 billion. The sensitivity model shows that if credit spreads increase by 100 basis points, the value of this portfolio would fall by Rs. 2.7 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 2.7 billion. At year-end fiscal 2016, our held-for-trading portfolio (excluding government securities) was Rs. 143.5 billion. The sensitivity model showed that if credit spreads increased by 100 basis points, the value of this portfolio would fall by Rs. 1.5 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 1.5 billion.

Liquidity Risk

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

The goal of liquidity management is to ensure that the Bank is always in a position to efficiently meet both expected and unexpected current and future cash flow and collateral needs without negatively affecting either the Bank’s daily operations or financial conditions.

We manage liquidity risk in accordance with our Asset Liability Management Policy. This policy is framed as per the current regulatory guidelines and is approved by the Board of Directors. The Asset Liability Management Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic landscape. The Asset Liability Management Committee of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the Asset Liability Management Policy. The Asset Liability Management Committee comprises managing director, wholetime directors and senior executives. The Risk Committee of the Board, a Board Committee, has oversight of the Asset Liability Management Committee.

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

We also prepare dynamic liquidity cash flow statements, which in addition to scheduled cash flows, also consider the liquidity requirements pertaining to incremental business and the funding thereof. The dynamic liquidity cash flow statements are prepared in close coordination with the business groups, and cash flow projections based on the statements are periodically presented to the Asset Liability Management Committee. As a part of the stock and flow approach, we monitor various liquidity ratios, and limits are laid down for these ratios in the Asset Liability Management Policy. We also monitor liquidity coverage ratio which has been applicable from January 1, 2015.

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

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

For our overseas branches, the Bank also has a well-defined borrowing program. In order to maximize borrowings at a reasonable cost through its branches, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings, interbank bilateral loans and deposits, including structured deposits. The Bank also raises refinance from other banks against the buyers' credit and other trade assets. Those loans that meet the Export Credit

Agencies' criteria are refinanced as per the agreements entered into with these agencies. The Bank also mobilizes retail deposits, in accordance with the regulatory framework in place in the respective host country.

The Bank maintains prudential levels of liquid assets in the form of cash, balances with the central bank and government securities, money market and other fixed income securities. Currently, as stipulated by the regulator, banks in India are required to maintain statutory liquidity ratios at a level of 20.5% effective January 7, 2017 of their net demand and time liabilities in India and cash reserve ratios at a level of 4.0% of their net demand and time liabilities in India. The Bank generally holds additional securities over and above the stipulated level. Further, banks in India were required to maintain a liquidity coverage ratio at a minimum of 70.0% for the calendar year 2016. Further effective January 1, 2017, the liquidity coverage ratio requirement increased to 80.0% for the calendar year 2017 and will further increase in a phased manner to 100.0% from January 1, 2019. As per Reserve Bank of India Guidelines, effective January 1, 2016, liquidity coverage ratio is applicable to Indian banks on a consolidated basis. During fiscal 2017, the Bank maintained a liquidity coverage ratio above the stipulated level. Further, we have a board approved liquidity stress testing framework, under which we estimate the Bank's liquidity position under a range of stress scenarios, and consider possible measures we could take to mitigate the outflows under each scenario. These scenarios cover bank specific, market-wide and combined stress situations and have been separately designed for the domestic and international operations of the Bank. Each scenario included in the stress-testing framework covers a time horizon of 30 days. The stress-testing framework measures the impact on profit due to liquidity outflows for each scenario, considering possible measures that we could take to mitigate the stress. The impact on profits is subject to a stress tolerance limit specified by the Board of Directors. The results of liquidity stress testing are reported to the Asset Liability Management Committee on a monthly basis. During fiscal 2017, the results of each of the stress scenarios were within the Board-approved limits.

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

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

Our subsidiary in the United Kingdom has diverse sources of liquidity to allow for flexibility in meeting funding requirements. It raises funding through wholesale and retail sources. Wholesale sources comprise issuance of bonds through a Medium Term Note programme, bilateral and club loans and, short term borrowings through interbank money market, bankers' acceptances and repo channels. It also raises funding through eligible central bank facilities. In the retail segment, it offers current and savings deposits products through its branch network as well as savings deposits through its internet platform. A buffer of high quality liquid assets/central bank reserves is maintained against these deposits. Our subsidiary in Canada is funded through diversified funding sources from retail as well as wholesale sources like borrowings through securitization of insured mortgages across tenor buckets.

The Prudential Regulation Authority issued a new policy statement on Capital Requirements in June 2015, which was supplemented by supervisory statement on Prudential Regulation Authorities approach to supervising liquidity and funding risk. The new guidelines were applicable from October 1, 2015. As per the guidelines banks were required to maintain Liquidity Coverage Ratio, as per the methodology provided in the Delegated Act issued by European Banking Authority in October 2014, at 80% starting October 1, 2015 as a Pillar 1 liquidity requirement. The Liquidity Coverage Ratio requirement increased to 90% from January 1, 2017 and would increase to 100% from January 1, 2018 onwards. Additionally, Prudential Regulation Authority adopted an interim Pillar 2 approach, in which it specified banks to hold high quality liquid assets for add-ons specified in the existing Individual liquidity guidance for the Bank. These add-ons are for specific risks which are not captured in Liquidity Coverage Ratio. ICICI Bank UK PLC maintained Liquidity Coverage Ratio above the stipulated level during fiscal 2017.

In November 2014, The Office of Superintendent of Financial Institutions revised the Liquidity Adequacy Requirements to incorporate Liquidity Coverage Ratio requirements for banks in Canada. The requirements expect banks to have an adequate stock of unencumbered high quality liquid assets that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The standard requires that, absent a situation of financial stress, the value of the coverage ratio of high quality liquid assets to total net cash outflows be no lower than 100%. The Office of Superintendent of Financial Institutions expects each Canadian bank to have an internal liquidity policy articulating and defining the role of liquid assets within the bank's overall liquidity management system and establishing minimum targets for liquid asset holdings. ICICI Bank Canada has a Liquidity Management Policy and Market Risk Management Policy that are approved by its Board of Directors. These policies require ICICI Bank Canada to maintain a certain percentage of its customer liabilities in liquid assets and to maintain sufficient liquidity to cover net outflows in the "up to 30 days" maturity bucket. These limits are monitored at least monthly by the Asset Liability Management Committee. ICICI Bank Canada has complied with these requirements throughout fiscal 2017.

In addition, Net Cumulative Cash Flow information on a monthly basis is shared with the Office of Superintendent of Financial Institutions consisting details of maturity pattern of assets and liabilities and net cash flows.

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

Operational Risk

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

The management of operational risk is governed by the Operational Risk Management Policy approved by the Board of Directors. The Policy is applicable across the Bank including overseas branches, ensuring a clear accountability and responsibility for management and mitigation of operational risk, developing a common understanding of operational risk and assisting the business and operation groups units to improve internal controls. The Board has constituted an Operational Risk Management Committee for analysing and monitoring the risks associated with the various business activities of the Bank. The principal objective of the Committee is to mitigate operational risk within the Bank by creation and maintenance of explicit operational risk management process. The Operational Risk Management Committee reviews the risk profile of various functions, the tools used for management of operational risk and implementation of the operational risk management policies and framework as approved by the Board. The Board has also approved a framework for approval of all new products/processes, which requires all processes pertaining to products or product variants to be assessed from an operational risk perspective by the Product and Process Approvals Committee.

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

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

A brief on the management of operational controls and procedures in the various business of the Bank is summarized below:

Operational Controls and Procedures in Retail and Rural Banking

Retail banking is organized into a zonal structure and each of the zones is headed by senior officials of the Bank. There are designated product, sales, credit and operations structure for customer sourcing and servicing. The branches are supported by regional/centralized processing centers and retail asset processing centers which ensure adequate operational controls.

The Bank has put in place comprehensive operating manuals detailing procedures for the processing of various banking transactions. Amendments to these manuals are implemented through circulars, which are accessible to branch employees on the intranet. The branches are complemented by the product and sales teams. The transactions relating to customer accounts are processed based on built-in system checks and authorization procedures. Transactions over a specified limit are subjected to enhanced scrutiny to avoid potential money laundering. The adherence to the processes and guidelines by the branches are ensured through risk monitoring, concurrent audits and internal audits.

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

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

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

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

The Bank has two centralized processing centers, one each in Mumbai and Hyderabad, processing the transactions on a nationwide basis for production & dispatch of physical deliverables like cards, check books, statements, personal identification number for cards, issuance of passwords to internet banking customers etc. Centralized processing centers have also been managing the activities like electronic payments, activation of newly opened accounts and account servicing.

Operational Controls and Procedures in Retail Asset Operations

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

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

Operational Controls and Procedures in Treasury

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

Operational Controls and Procedures for Corporate and Commercial Banking

Corporate banking is also organized into a zonal structure. The front office is responsible for sourcing clients and performing a credit analysis of the proposal. The credit risk is independently evaluated by the Risk

Management Group. The Bank has set-up a credit monitoring group in order to strengthen the ability to develop early warning mechanism for management and full scale monitoring across the life time of the loans. The middle office within the credit monitoring group conducts verification and scrutiny of the documents to ensure mitigation of post-approval risks. It also monitors adherence to the terms of approval by periodically publishing compliance monitoring reports. The key processes and their ownership are documented through process notes which are reviewed periodically. The back office for corporate operations is responsible for the execution of trade finance, cash management and general banking transactions based on the requests and instructions initiated through channels including branches.

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

Operational Controls and Procedures for Internet Banking

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

Information technology risk

The cyber security threat landscape for banks and financial institutions globally is constantly evolving and threats such as phishing campaigns, distributed denial of service attacks (DDoS) attacks, malware, ransomware and exploitation of ATM vulnerabilities or vulnerabilities in systems provided to banks by software vendors are currently prevalent across the world.

The Bank has a governance framework for information security with oversight from the Information Technology Strategy Committee which is a Board-level Committee chaired by an Independent Director. The security strategy at the Bank is based on the principle of defence in depth and the IT risk framework of the Bank enunciates three lines of defence with clearly defined roles and responsibilities. The Bank has dedicated units responsible for information security and financial crime prevention, which are independent of the business units. In the endeavour towards providing high availability and continuity of services to its customers, including high availability of customer facing IT systems, the Bank has a Board-approved Business Contingency Plan which includes plans for recovery of its IT systems in the event of any disaster or contingency. The Bank has a Board approved Cyber Security Policy which also incorporates a cyber crisis management plan. The Bank also conducts vulnerability assessment and penetration testing periodically to mitigate the risk that may arise from security vulnerabilities.

The IT systems of the Bank are continuously monitored by dedicated teams such as the IT Command Center and the Security Operations Center. The Bank has laid down processes for change management, identify management, access management and security operations and these processes are periodically reviewed and refined to keep them abreast of emerging risks and to ensure commensurate controls to mitigate such risks are put in place.

Anti-Money Laundering Controls

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

Implementation of these guidelines includes the formulation of a Group Anti-money Laundering Policy with the approval of the Board of Directors of the Bank which also covers the overseas branches/subsidiaries;

oversight by the Audit Committee on the implementation of the Anti-Money Laundering framework; appointment of a senior level officer as the principal officer who has the day-to-day responsibility for implementation of the anti-money laundering framework; implementation of adequate Know Your Customer procedures based on risk categorization of customer segments, screening of names of customers with negative lists issued by the regulators and customer risk categorization for classifying the customers as high, medium and low risk; risk-based transaction monitoring and regulatory reporting procedures through automated applications; implementing appropriate mechanisms to train employees' and to creating customer awareness on this subject.

The Bank adopts a risk based approach and conducts customer risk assessment with simplified due diligence for low risk, normal due diligence for medium risk and enhanced due diligence for high risk customers pursuant to the Reserve Bank of India guidelines.

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

Our life insurance subsidiary has implemented Know-Your-Customer/Anti-Money Laundering/Combating of Financing of Terrorism guidelines issued according to the Prevention of Money Laundering Act, 2002 and guidelines issued by Insurance Regulatory and Development Authority of India from time to time. An Anti-Money Laundering/Combating of Financing of Terrorism Policy has been approved by the board of directors of the life insurance subsidiary. The policy is also in accordance with the Group Anti-Money-Laundering policy and includes oversight by the Audit Committee on the implementation of the anti-money laundering framework. It provides for appointment of a senior level officer as the principal officer who, has the responsibility for ensuring compliance with the obligations imposed under of the Prevention of Money Laundering Act, 2002 and the rules made thereunder.

Following the release on the internet of videos in March-April 2013 forming part of a sting operation on banks and insurance companies in India, that purported to show the Bank's frontline branch employees engaging in conversations that would violate the Group Code of Business Conduct and Ethics and could have, if any transactions had been consummated, led to violations of anti-money laundering and know your customer norms, the Reserve Bank of India undertook investigations at ICICI Bank and over 30 other banks in India. While the Reserve Bank of India's investigations did not reveal any prima facie evidence of money laundering, the Reserve Bank of India had imposed an aggregate penalty of Rs. 665 million (US$ 11 million) on 31 Indian banks, including Rs. 10 million (US$ 0.2 million) on ICICI Bank, for instances of violation of applicable regulations, which we have paid. A penalty of Rs. 1.4 million was also imposed on the Bank in February 2015 by the Financial Intelligence Unit, India for failure in reporting the attempted suspicious transactions to which the above sting operations pertained. The Bank had filed an appeal against the Financial Intelligence Unit, India with the Appellate Tribunal. In June 2017, the Appellate Tribunal ruled that the penalty was not sustainable. The Tribunal asked the appellant banks to be careful and report such matters in future. See also "Business—Risk Management—Anti-Money Laundering Controls".

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

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

The Reserve Bank of India had initiated an inspection on know your customer/anti-money laundering aspects across various banks including ICICI Bank. Based on the inspection, the Reserve Bank of India sought explanations on certain matters in April 2016. ICICI Bank responded to the explanation and the reserve Bank of India has accepted the bank's responses in the matter.

See also "*Risk Factors—Risks Relating to Our Business—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal.*

Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past" and "*Risk Factors—Risks Relating to Our Business—Negative publicity could damage our reputation and adversely impact our business and financial results and the price of our equity shares and ADS.*".

Audit

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

The Internal Audit Group maintains staff with sufficient knowledge, skills, experience and professional certifications. It deploys audit resources with expertise in audit execution and adequate understanding of business activities. The processes within Internal Audit Group are certified under ISO 9001-2015. Further, an assessment of the quality of assurance provided by the Internal Audit Group is conducted through an independent external firm once in three years.

The Internal Audit Group has adopted a risk based audit methodology in accordance with the Reserve Bank of India guidelines. The risk-based audit methodology is outlined in the Internal Audit Policy. An annual risk-based audit plan is drawn up based on the risk-based audit methodology and is approved by the Audit Committee of the Board. Accordingly, the Internal Audit Group undertakes a comprehensive audit of all branches, business groups and other functions in accordance with the risk-based audit plan.

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

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

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

Legal and Regulatory Risk

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

Risk Management Framework for International Operations

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

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

Risk Management in Key Subsidiaries

ICICI Bank UK

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

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

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

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

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

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

ICICI Bank Canada

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

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

The Risk Committee of the Board has delegated the operational responsibility for credit risk management to the Management Credit Committee within the broad parameters and limits laid down in the Corporate & Commercial Credit and Recovery Policy, Retail Credit Recovery Policy, and Residential Mortgage Underwriting Policy. The Management Credit Committee approves credit proposals before recommending them to Risk Committee, which manages the credit risk on a portfolio basis and reviews asset quality and portfolio quality on a monthly basis.

The Risk Committee has delegated operational responsibility for market risk management and liquidity risk management to the Asset Liability Committee within the broad parameters and limits laid down in the Market Risk Management Policy and Liquidity Management Policy respectively. The Asset Liability Committee reviews matters pertaining to Investment and Treasury operations and the implementation of risk mitigation measures and recommends major policy changes governing treasury activities to the Risk Committee. Asset Liability Committee reviews adherence to market risk and liquidity risk requirements of the Office of the Superintendent of Financial Institutions (Canada's banking regulator), internal control guidelines and limits.

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

ICICI Securities Primary Dealership

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

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

ICICI Prudential Life Insurance Company

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

The Board Risk Management Committee, which consists of non-executive directors, formulates the risk management policy, including asset liability management, monitors all risks across various lines of business and establishes appropriate systems to mitigate such risks. The Board Risk Management Committee also defines ICICI Prudential Life Insurance Company’s risk appetite and risk profile, oversees the effective operation of the risk management system and advises the Board on key risk issues.

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

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

ICICI Lombard General Insurance Company

ICICI Lombard General Insurance Company is principally exposed to risks arising out of the nature of business underwritten and credit risk on its total investment assets as well as the credit risk it carries on its reinsurers. In respect of business risk, ICICI Lombard General Insurance Company seeks to diversify its insurance investment asset across product classes, industry sectors and geographical regions. ICICI Lombard General Insurance Company focuses on achieving a balance between the corporate and retail investment asset mix to achieve favorable claim ratio and risk diversification. ICICI Lombard General Insurance Company has a risk retention and reinsurance policy whereby tolerance levels are set as per risk and on a per event basis. ICICI Lombard General Insurance Company also has the ability to limit its risk exposure by way of re-insurance arrangements. Investments of the company are governed by the investment policy approved by its Board of Directors within the norms stipulated by the Insurance Regulatory and Development Authority of India. The Investment Committee oversees the implementation of this policy and reviews it periodically. Exposure to any single non-government counterparty is restricted to less than 5.0% of the total investment assets, by carrying value, without the specific approval of ICICI Lombard General Insurance Company's investment committee. While ICICI Lombard General Insurance Company has a few counterparties where its total exposure exceeds 5.0% of its portfolio, such exposure does not exceed 10.0% in any case.

Controls and Procedures

We have carried out an evaluation under the supervision and with the participation of management, including the Managing Director and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act at year-end fiscal 2017.

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

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

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

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

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act). Our internal control system has been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation and fair presentation of our published Indian GAAP consolidated financial statements and disclosures relating to U.S. GAAP net income reconciliation and stockholders' equity reconciliation as required by U.S Securities and Exchange Commission and applicable GAAP.

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

Our internal controls include policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect in reasonable detail the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with authorizations of management and the executive directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of internal control over financial reporting at year-end fiscal 2017 based on criteria set by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on the assessment, management concluded that our internal control over financial reporting was effective at year-end fiscal 2017. Effectiveness of our internal control over financial reporting at year-end fiscal 2017 has been audited by KPMG, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

Change in Internal Control Over Financial Reporting

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

Loan Portfolio

Our gross loan portfolio increased by 5.0% from Rs. 5,097.9 billion at year-end fiscal 2016 to Rs. 5,353.2 billion at year-end fiscal 2017. At year-end fiscal 2017, approximately 74.5% of our gross loans were rupee loans.

Loan Portfolio by Categories

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

	At March 31, 2013 (in millions)	2014	2015	2016	2017	2017
Consumer loans and credit card receivables(1)	Rs. 1,181,588	Rs. 1,470,783	Rs. 1,762,154	Rs. 2,153,561	Rs. 2,446,478	US$ 37,725
Rupee	1,068,305	1,251,032	1,534,281	1,895,734	2,259,184	34,837
Foreign currency(2)	113,283	219,751	227,873	257,827	187,294	2,888
Commercial(3)	2,204,054	2,494,150	2,745,376	2,944,355	2,906,744	44,823
Rupee	1,193,433	1,310,457	1,493,578	1,631,734	1,729,028	26,663
Foreign currency	1,010,621	1,183,693	1,251,798	1,312,621	1,177,666	18,160
Gross loans	3,385,642	3,964,933	4,507,530	5,097,916	5,353,222	82,548
Rupee	2,261,738	2,561,488	3,027,859	3,527,468	3,988,261	61,500
Foreign currency	1,123,904	1,403,445	1,479,671	1,570,448	1,364,961	21,048
Total gross loans	3,385,642	3,964,933	4,507,530	5,097,916	5,353,222	82,548
Allowance for loan losses	(85,901)	(91,515)	(122,629)	(160,625)	(200,049)	(3,085)
Net loans	Rs. 3,299,741	Rs. 3,873,418	Rs. 4,384,901	Rs. 4,937,291	Rs. 5,153,173	US$ 79,463

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

(2) Includes loans against foreign currency non-resident (bank) deposits of Rs. 15.0 billion at year-end fiscal 2017.

(3) Includes builder financing and dealer financing.

Our gross rupee loans increased from Rs. 3,527.5 billion constituting 69.2% of our total gross loans at year-end fiscal 2016 to Rs. 3,988.3 billion constituting 74.5% of our total gross loans at year-end fiscal 2017 primarily due to an increase in consumer loans and credit card receivables. Our gross foreign currency loans decreased from Rs. 1,570.4 billion, constituting 30.8% of our total gross loans at year-end fiscal 2016 to Rs. 1,365.0 billion, constituting 25.5% of our total gross loans at year-end fiscal 2017 primarily due to repayments/prepayments of loans, including maturity of loans against Foreign Currency Non-Resident (Bank) deposits in our foreign branches and overseas subsidiaries. See also "*Operating and Financial Review and Prospects—Financial Condition—Advances*".

At year-end fiscal 2017, we did not have outstanding cross-border loans (defined as loans made to borrowers outside of India) exceeding 1.0% of our assets in any country except Canada, which were between approximately 2.5% to

3.0% of our assets. We had outstanding cross-border loans to U.S. and United Kingdom borrowers amounting to between 0.5% and 1.0% of our assets.

Collateral —Completion, Perfection and Enforcement

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

Secured consumer loan portfolio

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

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

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

Commercial loans

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

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

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

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

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

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

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

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

The Insolvency and Bankruptcy Code, 2016, enacted in May 2016, provides for a time-bound revival and rehabilitation mechanism to resolve stressed assets. In June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law

Tribunal in respect of 12 large stressed accounts. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months, failing which banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code. Given the limited experience of this framework, should one or more of these borrowers go into liquidation, the market value of the collateral may come down. See also "*Overview of the Indian Financial Sector—Structural Reforms—Legislative Framework for Recovery of Debts due to Banks—Insolvency and Bankruptcy Code, 2016*".

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

We recognize that our ability to realize the full value of the collateral in respect of current assets is difficult due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral (including due to inability to obtain approvals that may be required from various persons, agencies or authorities) and fraudulent transfers by borrowers and other factors, including current legislative provisions or changes thereto and past or future judicial pronouncements. The value and time to dispose the collateral could also be impacted by policy decisions. For example, the government of India's decision to withdraw legal tender status of higher denomination currency notes in November 2016 impacted the prices and demand in land and housing market. However, cash credit facilities are so structured that we are generally able to capture the cash flows of our customers for recovery of past due amounts. In addition, the Bank generally has a right of set-off for amounts due to us on these facilities. The Bank requires its working capital loan customers to submit data on their working capital position on a regular basis, so that we can take any actions required before the loan becomes impaired. On a case-by-case basis, we may also stop or limit the borrower from drawing further credit from its facility.

Loan Concentration

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

Pursuant to the guidelines of the Reserve Bank of India, credit exposure of banks to an individual borrower generally must not exceed 15.0% of our capital funds, unless the exposure is in respect of an infrastructure project. Capital funds comprise Tier 1 and Tier 2 capital calculated pursuant to the guidelines of the Reserve Bank of India, under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of our capital funds by an additional 5.0% (i.e. the aggregate exposure can be 20.0%) provided the additional credit exposure is on account of infrastructure financing. Our exposure to a group of companies under the same management control generally must not exceed 40.0% of our capital funds unless the exposure is in respect of an infrastructure project. The exposure to a group of companies under the same management control, including exposure to infrastructure projects, may be up to 50.0% of our capital funds. Banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., the aggregate exposure can be 20.0% of capital funds for an individual borrower and the aggregate exposure can be 45.0% of capital funds for a group of companies under the same management), making appropriate disclosures in their annual reports. Exposure for funded and non-funded credit facilities is calculated as the total committed amount or the outstanding amount whichever is higher (for term loans, as the sum of undisbursed commitments and the outstanding amount). Investment exposure is considered at book value. At year-end fiscal 2017, we were in compliance with these guidelines.

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

At year-end fiscal 2017, our largest non-bank borrower accounted for approximately 12.1% of our capital funds. The largest group of companies under the same management control accounted for approximately 23.4% of our capital funds.

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

	At March 31, 2013		2014		2015		2016		2017
	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %	Amo
	(in millions, except percentages)								
Retail finance[(1), (2)]	Rs. 1,290,184	38.1 %	Rs. 1,621,267	40.9 %	Rs. 1,956,857	43.4 %	Rs. 2,385,701	46.8 %	Rs. 2
Power	200,452	5.9	237,912	6.0	260,204	5.8	283,433	5.6	3
Services —finance	155,201	4.6	127,735	3.2	146,879	3.2	161,303	3.2	2
Iron/steel and products	173,350	5.1	200,754	5.1	233,712	5.2	270,478	5.3	2
Roads, port, telecom, urban development & other infrastructure	227,966	6.7	271,869	6.9	260,526	5.8	285,898	5.6	2
Services —non finance	243,298	7.2	266,016	6.7	286,844	6.4	280,733	5.5	2
Wholesale/retail trade	70,752	2.1	83,757	2.1	137,036	3.0	148,575	2.9	1
Mining	83,086	2.5	65,455	1.7	80,037	1.8	82,896	1.6	1
Construction	73,443	2.2	89,316	2.3	107,610	2.4	114,625	2.2	1
Electronics & engineering	73,835	2.2	96,717	2.4	81,599	1.8	82,453	1.6	1
Metal & products (excluding iron & steel)	63,650	1.9	93,121	2.3	112,766	2.5	118,213	2.3	9
Food & beverages	92,257	2.7	82,020	2.1	77,592	1.7	83,094	1.6	8
Crude petroleum/refining & petrochemicals	95,729	2.8	127,887	3.2	140,852	3.1	104,531	2.1	8
Cement	72,156	2.1	79,019	2.0	92,581	2.1	85,988	1.7	7
Chemicals and fertilizers	43,070	1.3	38,299	1.0	31,254	0.7	44,775	0.9	5
Gems & jewelry	38,001	1.1	44,845	1.1	45,047	1.0	51,516	1.0	4
Shipping	45,257	1.3	59,459	1.5	67,480	1.5	61,660	1.2	3
Textile	29,056	0.9	30,628	0.8	26,449	0.6	32,688	0.6	2
Others[(3)]	314,899	9.3	348,857	8.8	362,205	8.0	419,356	8.3	3
Gross loans	3,385,642	100.0%	3,964,933	100.0%	4,507,530	100.0%	5,097,916	100.0%	5
Allowance for loan losses	(85,901)		(91,515)		(122,629)		(160,625)		(
Net loans	Rs. 3,299,741		Rs. 3,873,418		Rs. 4,384,901		Rs. 4,937,291		Rs. 5

(1)

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

(2) Includes loans against foreign currency non-resident (bank) deposits of Rs. 15.0 billion at March 31, 2017.

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

Our gross loan portfolio increased by 5.0% from Rs. 5,097.9 billion at year-ended fiscal 2016 to Rs. 5,352.2 billion at year-ended fiscal 2017. Retail finance increased from 46.8% of gross loans at year-end fiscal 2016 to 50.2% of gross loans at year-end fiscal 2017. Further, non-retail finance advances increased primarily due to an increase in advances to the services-finance sector by Rs. 111.9 billion, the power sector by Rs. 28.5 billion and the mining sector by Rs. 27.3 billion, offset, in part, by a decrease in advances to the services non-finance sector by Rs. 47.2 billion, the roads, ports, telecom, urban development & other infrastructure sector by Rs. 46.4 billion and the shipping sector by Rs. 30.1 billion. The net increase in advances to services-finance and power sector in fiscal 2017 was primarily to the higher rated borrowers based on the Bank’s internal ratings.

At year-end fiscal 2017, our 20 largest borrowers accounted for approximately 10.7% of our gross loan portfolio, with the largest borrower accounting for approximately 1.0% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 3.5% of our gross loan portfolio.

Geographic Diversity

Our portfolios are geographically diversified. The state of Maharashtra accounted for the largest proportion of our domestic gross loans outstanding at year-end fiscal 2017.

Directed Lending

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

Priority Sector Lending

The Reserve Bank of India guidelines on priority sector lending require banks to lend 40.0% of their adjusted net bank credit, to fund certain types of activities carried out by specified borrowers. The definition of adjusted net bank credit includes bank credit in India adjusted by bills rediscounted with the Reserve Bank of India and other approved financial institutions and certain investments and is computed with reference to the outstanding amount at corresponding date of the previous year as prescribed by the Reserve Bank of India guidelines 'Master Direction-Priority Sector Lending - Targets and Classification'. Further, the Reserve Bank of India allowed loans extended in India against incremental foreign currency non-resident (bank)/non-resident external deposits from July 26, 2013 and outstanding at March 7, 2014 to be excluded from adjusted net bank credit. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding investments in Rural Infrastructure Development Fund and other specified funds at corresponding date of the fiscal year to be classified as "indirect agriculture" and count towards overall priority sector target achievement. Investments at March 31 of the preceding year would be included in the adjusted net bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. In fiscal 2015, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure and low-cost housing. The amount raised by way of these bonds is permitted to be excluded from the adjusted net bank credit for the purpose of computing priority sector lending targets.

In April 2015, the Reserve Bank of India issued revised guidelines on priority sector lending. Under the revised guidelines, the priority sectors include the agricultural sector, food and agri-based industries, small enterprises/businesses and housing finance up to certain limits. Sectors qualifying for priority sector lending have been broadened to include medium enterprises, social infrastructure and renewable energy. The overall target for priority sector lending would be 40% of the adjusted net bank credit, out of which banks are required to lend a minimum of 18.0% to the agriculture sector. Sub-targets of 8.0% for lending to small & marginal farmers and 7.5% lending target to micro-enterprises were introduced. These sub-targets were to be achieved in a phased manner by March 2017. Banks are also required to lend 10.0% of their adjusted net bank credit, to certain borrowers under the "weaker section" category. Priority sector lending achievement would be evaluated on a quarterly average basis from fiscal 2017 instead of only at the year-end. Further, in July 2015, the Reserve Bank of India has directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for shortfall. The Reserve Bank of India has set a target of 11.7% of adjusted net bank credit for fiscal 2017. The Reserve Bank of India has also directed banks to maintain lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines.

ICICI Bank is required to comply with the priority sector lending requirements prescribed by the Reserve Bank of India from time to time. The shortfall in the amount required to be lent to the priority sectors and weaker sections may be required to be deposited in funds with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the National Housing Bank, the MUDRA Limited and other financial institutions as decided by the Reserve Bank of India from time to time based on the allocations made by the Reserve Bank of India. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At year-end fiscal 2017, our total investment in such funds was Rs. 241.1 billion, which was fully eligible for consideration in overall priority sector achievement.

As prescribed in the Reserve Bank of India guideline, the Bank's priority sector lending achievement is computed on quarterly average basis for fiscal 2017 as against the year-end basis for fiscal 2016. Total priority sector lending was Rs. 1,399.4 billion constituting 39.9% (Rs. 1,311.9 billion constituting 40.8% at year-end fiscal 2016) of adjusted net bank credit against the requirement of 40.0% of adjusted net bank credit. The average lending to agriculture sector was Rs. 547.4 billion constituting 15.6% (Rs. 545.8 billion constituting 17.0% at year-end fiscal 2016) of adjusted net bank credit against the requirement of 18.0% of adjusted net bank credit. The average advance to weaker sections was Rs. 220.9 billion constituting 6.3% (Rs. 204.4 billion constituting 6.3% at year-end fiscal 2016) of adjusted net bank credit against the requirement of 10.0% of adjusted net bank credit. The average lending to small and marginal farmers was Rs. 142.2 billion constituting 4.1% (Rs. 125.5 billion constituting 3.9% at year-end fiscal 2016) of adjusted net bank credit against the requirement of 8.0% of adjusted net bank credit. The average lending to micro enterprises was Rs. 241.2 billion constituting 6.9% (Rs. 218.2 billion constituting 6.8% at year-end fiscal 2016) of adjusted net bank credit against the requirement of 7.5% of adjusted net bank credit. The average lending to non-corporate farmers was Rs. 300.9 billion constituting 8.6% (Rs. 269.3 billion constituting 5.9% at year-end fiscal 2016) of adjusted net bank credit against the requirement of 11.7% of adjusted net bank credit. See also "*Supervision and Regulation—Directed Lending—Priority Sector Lending*".

The following table sets forth ICICI Bank's average priority sector loans, classified by the type of borrower, for fiscal 2017.

	for the fiscal 2017			
	Amount		% of total priority sector lending	% of adjusted net bank credit
	(in billion, except percentages)			
Agricultural sector[1]	Rs. 547.4	US$ 8	39.1 %	15.6 %
Small enterprises	512.8	8	36.6	14.6
Others including eligible residential mortgage loans less than Rs. 2.5 million	339.2	5	24.3	9.7
Total	Rs. 1,399.4	US$ 21	100.0 %	39.9 %

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

Export Credit

The Reserve Bank of India also requires banks to make loans to exporters at concessional interest rates, as part of directed lending. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At least 12.0% of a bank's adjusted net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing to banks for an eligible portion of total outstanding export loans in rupees in line with the current Reserve Bank of India guidelines in India as amended from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At March 31, 2017, ICICI Bank's export credit was Rs. 53.6 billion, which amounted to 1.5% of the Bank's adjusted net bank credit.

Loan Pricing

As required by the Reserve Bank of India guidelines effective July 1, 2010, ICICI Bank priced its loans with reference to a base rate, called the ICICI Bank Base Rate till March 31, 2016. The Asset Liability Management Committee set the ICICI Bank Base Rate based on ICICI Bank's current cost of funds, likely changes in the Bank's cost of funds, market rates, interest rate outlook and other systemic factors. Pricing for new rupee floating rate proposals and renewal of rupee facilities till March 31, 2016 was linked to the ICICI Bank Base Rate and comprised the ICICI Bank Base Rate, transaction-specific spread and other charges. The Reserve Bank of India also stipulated that a bank's lending rates for rupee loans cannot be lower than its base rate, except for certain categories of loans as may be specified by the Reserve Bank of India from time to time. ICICI Bank has set its base rate at 9.10% per annum payable monthly, effective April 28, 2017.

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

Pricing for floating rate approvals and renewal of rupee facilities are linked to the ICICI Bank marginal cost of funds based lending rate and comprise the ICICI Bank marginal cost of funds based lending rate and spread. The Reserve Bank of India has also stipulated that a bank's lending rates for rupee loans cannot be lower than its marginal cost of funds based lending rate, except for certain exemptions. As prescribed in the guidelines of the Reserve Bank of India, existing borrowers will also have the option to move to the marginal cost of funds based lending rate linked loan at mutually acceptable terms. All loans approved before April 1, 2016, and where the borrowers choose not to migrate to the marginal cost of funds based lending rate system, would continue to be based on the earlier benchmark rate regimes. ICICI Bank marginal cost of funds based lending rate at May 1, 2017 was between 7.85%-8.20%.

Classification of Loans

ICICI Bank classifies its assets, including those in overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines. Under the Reserve Bank of India guidelines, an asset is generally classified as non-performing if any amount of interest or principal remains overdue for more than 90 days, in respect of term loans. In respect of overdraft or cash credit, an asset is classified as non-performing if the account remains out of order for a period of 90 days and in respect of bills, if the account remains overdue for more than 90 days. The Reserve Bank of India guidelines also require banks to classify an asset as non-performing based on qualitative criteria such as use of loan funds by a borrower for purposes other than those stipulated at the time of loan origination, inability of a borrower to perform or comply with the terms stipulated in a restructuring scheme, assessment of a borrower's ability to complete projects which have been funded by the Bank within certain timelines documented at the time of loan origination and certain other non-financial parameters. ICICI Home Finance Company classifies its loans and other credit facilities as per the guidelines of its regulator, the National Housing Bank. Loans made by our overseas banking subsidiaries are classified as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and that loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated. Under the Reserve Bank of India guidelines, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent amount is outstanding in the host country. The Reserve Bank of India has separate guidelines for restructured loans. From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period in the infrastructure sector and non-infrastructure sector) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within prescribed timelines. See below "—*Restructured Loans*".

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

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

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

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

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

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Restructured Loans

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

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

The diminution in the fair value of a restructured loan, if any, measured in present value terms, is either written off or a provision is made to the extent of the diminution involved. A restructured loan, which is classified as a standard restructured loan, is subject to higher standard asset provisioning and higher risk weight for capital adequacy purposes than non-restructured standard loans up to the period specified in the guidelines. The specified period is a period of one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with the longest moratorium as per the restructuring package during which payment performance is monitored. The loan continues to be classified as restructured until it reverts to the normal level of standard asset provisions/risk weights for capital adequacy purposes, which is a period of one year after the end of the specified period. Banks are required to disclose the aggregate fund-based credit facilities of borrowers whose loans were restructured.

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

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

In June 2015, the Reserve Bank of India issued guidelines on strategic debt restructuring. The guidelines provide for conversion of debt into equity which results in majority ownership of the borrower by banks. On conversion of debt into equity, banks are allowed to continue with the current asset classification for an 18-month period (stand-still benefit). On transfer of ownership to a new management, the asset can be upgraded to the standard category and refinancing of the debt is allowed without such refinancing being treated as a restructuring. However, in the event a new sponsor is not identified within the 18-month period, the bank has to revert to the earlier asset classification norm as was applicable prior to the stand-still in asset classification. In September 2015, the Reserve Bank of India allowed banks to upgrade the credit facilities to standard category even in the event of a change in ownership of the borrower outside strategic debt restructuring. Considering the change in risk profile following the change in management, banks are allowed to refinance the existing debt without treating it as restructuring subject to the bank making provisions for any diminution in fair value of the existing debt. In February 2016, the Reserve Bank of India further revised its guidelines with regard to strategic debt restructuring allowing banks to classify the asset as standard upon divesting 26.0% of the shares of the company, which is lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made over four quarters. In November 2016, Reserve Bank of India modified certain clauses of its guidelines issued in September 2015 allowing banks to undertake a change in management of a borrower outside the strategic debt restructuring framework. The Reserve Bank of India has issued a stand-still benefit on asset classification and provisioning on the same lines as the strategic debt restructuring scheme. The stand-still benefit could be 18 months where banks decide to change ownership either through conversion of debt into equity or through invocation of pledge of shares and 12 months if the change of ownership is effected by issue of new shares by the borrower company or sale of shares by the existing promoter to an acquirer.

As an additional measure to strengthen the ability of banks to deal with large stressed assets, in June 2016 the Reserve Bank of India issued guidelines introducing the Scheme for Sustainable Structuring of Stressed Assets. Projects that have commenced commercial operations and have aggregate borrowings (including interest) of over Rs. 5.0 billion are eligible to be structured under the scheme. The sustainable debt level should not be less than 50.0% of current funded liabilities. The scheme will be applicable where the Joint Lenders' Forum assesses the sustainable debt and concludes based on a techno-economic viability assessment that the current sustainable debt can be serviced over its tenor at current levels of cash flows. The portion assessed as unsustainable will be converted into equity or redeemable cumulative optionally convertible preference shares or convertible debentures and may attract higher provisioning. The scheme may include allowing the current promoter to continue with majority shareholding, or bringing in a new promoter, or lenders acquiring majority shareholding through conversion of debt into equity. In November 2016, the Reserve Bank of India modified certain clauses of its June 2016 guidelines on Scheme for Sustainable Structuring of Stressed Assets. The revised guidelines ease the asset classification norms for banks while requiring them to hold higher provisions on the sustainable portion of the debt that is classified as standard. Further, the revised guidelines also provide a stand-still benefit of 180 days in asset classification from the 'reference date' in accounts where such structuring has been undertaken and flexibility in timelines within the overall period of 180 days in terms of activities to be performed during the 'stand-still' period.

The Reserve Bank of India allows banks to create floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The floating provisions outstanding at year-end can be used only for contingencies under extraordinary circumstances for making specific provisions against non-performing accounts after obtaining approval from the board of directors and with the prior permission of the Reserve Bank of India. Until utilization of such provisions, they can be netted off from gross non-performing assets to compute the net non-performing assets. Alternatively, floating provisions could be treated as part of Tier 2 capital within the overall ceiling of 1.25% of total risk-weighted assets.

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

Provisioning and Write-Offs

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

Standard assets:	The allowances on the performing portfolios are based on guidelines issued by the Reserve Bank of India. The provisioning requirement is a uniform rate of 0.4% for all standard assets except – · farm credit to agricultural and the Small and Micro Enterprise sectors, which attract a provisioning requirement of 0.25%, · advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively,

· housing loans, where such loans are made at comparatively lower interest rates for the first years of the loan after which the rates are reset at higher rates, which attract a provisioning requirement of 2.0%.

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

Standard asset provisions on accounts restructured after June 1, 2013 is 5.0%. The standard asset provision required on accounts restructured before June 1, 2013 was increased to 3.5% from March 31, 2014, 4.25% from March 31, 2015 and 5.0% from March 31, 2016.

Under the guidelines issued by the Reserve Bank of India, additional provision of up to 0.80% is required to be made starting April 1, 2014, on amounts due from entities having unhedged foreign currency exposure. Further, accelerated provision of 5.0% is required on the outstanding amount for loans with principal or interest payment overdue between 61-90 days where there is a delay in forming Joint Lenders Forum or

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	delay in finalizing Corrective Action Plan as per the extant guidelines of the Reserve Bank of India. A provision of 5.0% is also required in respect of standard loans to companies having director(s) whose name(s) appear more than once in the list of willful defaulters.
Sub-standard assets:	A provision of 15.0% is required for all sub-standard assets. A provision of 25.0% is required for accounts that are unsecured. Unsecured infrastructure loan accounts classified as sub-standard require provisioning of 20.0%.
Doubtful assets:	A 100.0% provision/write-off is required against the unsecured portion of a doubtful asset and is charged against income. With effect from fiscal 2012, for the secured portion of assets classified as doubtful, a 25.0% provision is required for assets that have been classified as doubtful for a year, a 40.0% provision is required for assets that have been classified as doubtful for one to three years and a 100.0% provision is required for assets classified as doubtful for more than three years. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers.
Loss assets:	The entire asset is required to be written off or provided for.
Restructured loans:	The provision on restructured loans is required to be equal to the difference between the fair value of the loan before and after restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged under the loan's restructured terms and the principal. Provision on non-performing restructured loans is in addition to provisioning requirement on non-performing loans. For loans restructured up to July 1, 2015, both sets of cash flows are discounted at the Bank's Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. For loans restructured after July 1, 2015, both sets of cash flows are discounted at a rate equal to the actual interest rate charged to the borrower before restructuring for the purpose of determining the diminution in fair value of the loan on restructuring. For accounts having multiple credit facilities with varying interest rates, a weighted average interest is used as the discounting rate.

Apart from the provisions mentioned above, in accounts where the Bank has initiated a change in ownership by conversion of loans into shares under the Strategic Debt Restructuring or outside the Strategic Debt Restructuring mechanism, a provision of 15.0% is required to be made by the end of the 18 months stand-still period. These provisions have to be made over a period of four quarters on the residual loan after such conversion. See also "*Overview of the Indian Financial Sector - Legislative Framework for Recovery of Debts due to Banks - Joint Lenders' Forum*". These provisions are required to cover up for the deterioration in the asset classification and the resultant provisioning on the residual loan exposures in case the banks are not be able to complete the change of management within the 'stand-still' period as stipulated under the Reserve Bank of India guidelines.

In April 2017, the Reserve Bank of India advised banks to maintain provisions for standard assets at rates higher than the regulatory requirement, particularly in respect of advances to stressed sectors of the economy. Banks are required to put in place a Board-approved policy, to be reviewed on a quarterly basis, for making higher provisions based on evaluation of risk and stress in various sectors. As an immediate step, such evaluation in the telecom sector was required to be completed by June 30, 2017.

In June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. The Reserve Bank of India has also directed banks to maintain a minimum prescribed provision for these cases referred to the National Company Law Tribunal. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code. In the event of insolvency proceedings being initiated, banks would be required to hold provisions for the entire balance outstanding in the account.

Our Policy

We provide for non-performing corporate loans in line with the Reserve Bank of India guidelines. ICICI Bank provides for non-performing consumer loans at the borrower level in accordance with provisioning policy of ICICI Bank, subject to minimum provision requirements set by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are fully provided for or written off. The Bank holds specific provisions against non-performing loans, general provisions against performing loans and floating provision taken over from the erstwhile Bank of Rajasthan upon amalgamation. The Bank also holds specific provisions against certain performing loans and advances in accordance with the Reserve Bank of India's directions. For restructured loans, provisions are made in accordance with the restructuring guidelines issued by the Reserve Bank of India. These provisions are assessed at a borrower level as the difference between the fair value of the loan, both before and after restructuring. In addition, the Bank holds a general provision of 5.0% of the outstanding balance of the restructured loan. The Bank makes a provision of 15.0%, within a period of four quarters, on the residual loan amount (after conversion of loans into shares) on loans where the Bank has initiated steps for a change in management of a borrower entity by acquiring a majority equity interest in the borrower's share capital under the Reserve Bank of India's guidelines on strategic debt restructuring or outside the scheme of strategic debt restructuring. Similarly, if borrowers have implemented projects which are facing stress and the Bank along with other lenders have implemented the scheme for sustainable structuring of stressed assets, the Bank makes provisions as per the Reserve Bank of India guidelines for such schemes.

The Bank may create floating provisions for the year as per a Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision can be utilized, with the approval of the Board and the Reserve Bank of India.

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

Impact of Economic Environment on Commercial and Consumer Loan Borrowers

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector was slow. Further, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans into non-performing status, and provisions during the second half of fiscal 2016.

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, during fiscal 2017. See also "*Risk Factors—Risks Relating to Our Business—If the regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*", "*Risk Factors—Risks Relating to Our Business—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*", "*Business—Strategy*" and *"Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2017*".

Various factors, including a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, our regulators' assessment and review of our loan portfolio, a sharp and sustained rise in interest rates, developments in the global and Indian economy, movements in global commodity markets and exchange rates and global competition could cause a further increase in the level of non-performing assets on account of retail and other loans and have a material adverse impact on the quality of our loan portfolio. See also "*Risk Factors—Risks Relating to Our Business—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*" and "*Business—Strategy*".

Non-Performing Assets

The following table sets forth, at the dates indicated, our gross non-performing rupee and foreign currency customer asset portfolio by business category.

	At March 31,					
	2013	2014	2015	2016	2017	
	Amount	Amount	Amount	Amount	Amount	Amount
	(in millions, except percentages)					
Consumer loans & credit card receivables[(1)]	Rs.49,156	Rs.32,968	Rs.25,504	Rs.26,757	Rs.28,062	US$433
Rupee	48,891	32,701	25,504	26,756	28,061	433
Foreign currency	265	267	–	1	1	–
Commercial[(2)]	57,914	89,929	148,296	266,389	430,792	6,643
Rupee	42,939	61,481	99,288	155,482	228,643	3,526
Foreign currency	14,975	28,448	49,008	110,907	202,149	3,117
Leasing and related activities	95	97	70	70	7	–
Rupee	95	97	70	70	7	–
Foreign currency	–	–	–	–	–	–
Total non-performing assets	107,165	122,994	173,870	293,216	458,861	7,076
Rupee	91,925	94,279	124,862	182,308	256,711	3,959
Foreign currency	15,240	28,715	49,008	110,908	202,150	3,117
Gross non-performing assets[(3),(4)]	107,165	122,994	173,870	293,216	458,861	**7, 076**
Provision for loan losses	(78,016)	(78,366)	(96,655)	(145,431)	(188,530)	(2,907)
Net non-performing assets	Rs.29,149	Rs.44,628	Rs.77,215	Rs.147,785	Rs.270,331	US$4,169
Gross customer assets[(3)]	Rs.4,001,517	Rs.4,615,808	Rs.5,149,278	Rs.5,718,339	Rs.5,923,253	US$91,338
Net customer assets	Rs.3,914,869	Rs.4,523,471	Rs.5,026,019	Rs.5,556,942	Rs.5,720,375	US$88,209
Gross non-performing assets as a percentage of gross customer assets	2.7 %	2.7 %	3.4 %	5.1 %	7.7 %	
Net non-performing assets as a percentage of net customer assets	0.7 %	1.0 %	1.5 %	2.7 %	4.7 %	

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

(2) Includes working capital finance.

(3) Includes loans of ICICI Bank and its subsidiaries and credit substitutes of ICICI Bank.

(4) Includes loans identified as impaired in line with the guidelines issued by regulators of the respective subsidiaries.

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The following table sets forth, for the periods indicated, the change in our gross non-performing asset portfolio[1].

Particulars	2013	2014	2015	2016	2017	2017
	(in millions)					
A. Consumer loans & credit card receivables[2],[3]						
Non-performing assets at the beginning of the fiscal year	Rs. 67,356	Rs. 49,156	Rs. 32,968	Rs. 25,504	Rs. 26,757	US$ 413
Addition: New non-performing assets during the year	9,927	12,759	13,030	16,979	15,940	246
Less:						
Upgrade[4]	(3,995)	(3,314)	(4,425)	(6,323)	(5,337)	(82)
Recoveries (excluding recoveries made from upgraded accounts)	(8,793)	(6,049)	(7,505)	(6,626)	(7,192)	(112)
Write-offs	(15,339)	(19,584)	(8,564)	(2,777)	(2,106)	(32)
Non-performing assets at the end of the fiscal year	Rs. 49,156	Rs. 32,968	Rs. 25,504	Rs. 26,757	Rs. 28,062	US$ 433
B. Commercial[5]						
Non-performing assets at the beginning of the fiscal year	Rs. 39,673	Rs. 57,914	Rs. 89,929	Rs. 148,296	Rs. 266,389	US$ 4,108
Addition: New non-performing assets during the year	28,992	40,839	77,915	161,423	332,341	5,125
Less:						
Upgrade[4]	(4,083)	(1,055)	(1,500)	(5,181)	(4,741)	(73)
Recoveries (excluding recoveries made from upgraded accounts)	(3,947)	(5,200)	(7,434)	(8,727)	(39,209)	(605)
Write-offs	(2,721)	(2,569)	(10,614)	(29,422)	(123,988)	(1,912)
Non-performing assets at the end of the fiscal year	Rs. 57,914	Rs. 89,929	Rs. 148,296	Rs. 266,389	Rs. 430,792	US$ 6,643
C. Leasing and related activities						
Non-performing assets at the beginning of the fiscal year	Rs. 95	Rs. 95	Rs. 97	Rs. 70	Rs. 70	US$ 1
Addition: New non-performing assets during the year	–	2	–	–	–	–
Less:						
Upgrade[4]	–	–	–	–	–	–
Recoveries (excluding recoveries made from upgraded accounts)	–	–	(27)	–	–	–
Write-offs	–	–	–	–	(63)	(1)
Non-performing assets at the end of the fiscal year	Rs. 95	Rs. 97	Rs. 70	Rs. 70	Rs. 7	US$ –
D. Total non-performing assets (A+B+C)						
Non-performing assets at the beginning of the fiscal year	Rs. 107,124	Rs. 107,165	Rs. 122,994	Rs. 173,870	Rs. 293,216	US$ 4,522
Addition: New non-performing assets during the year	38,919	53,600	90,945	178,402	348,281	5,371
Less:						

Upgrade[4]	(8,078)	(4,369)	(5,925)	(11,504)	(10,078)	(155)
Recoveries (excluding recoveries made from upgraded accounts)	(12,740)	(11,249)	(14,966)	(15,353)	(46,401)	(717)
Write-offs	(18,060)	(22,153)	(19,178)	(32,199)	(126,157)	(1,945)
Non-performing assets at the end of the fiscal year[5]	Rs. 107,165	Rs. 122,994	Rs. 173,870	Rs. 293,216	Rs. 458,861	US$ 7,076

(1) Includes loans identified as impaired in accordance with guidelines issued by regulators of the respective subsidiaries.

(2) Up to 2014, for "Credit card receivables", the difference between the opening and closing balances of non-performing assets is included in additions to gross non-performing assets on a net basis, except with respect to accounts written-off during the year, which were included in the "Write-offs" row.

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

(4) Represents accounts that were previously classified as non-performing but have been upgraded to performing.

(5) Includes working capital finance.

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The following table sets forth, at the dates indicated, gross non-performing assets by borrowers' industry or economic activity and as a percentage of total non-performing assets.

	At March 31,									
	2013		2014		2015		2016		2017	
	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	
	(in millions, except percentages)									
Retail finance(1)	Rs. 59,786	55.8 %	Rs. 42,793	34.8 %	Rs. 35,199	20.2 %	Rs. 39,669	13.5 %	Rs. 38,224	
Iron/steel and products	1,993	1.9	3,795	3.1	9,871	5.7	65,175	22.2	85,557	
Power	91	0.1	654	0.5	667	0.4	17,512	6.0	63,969	
Cement	–	–	300	0.2	300	0.2	–	–	53,781	
Services—non finance	9,144	8.5	15,598	12.7	25,890	14.9	36,408	12.4	43,659	
Mining	804	0.8	900	0.7	1,629	0.9	779	0.3	40,112	
Construction	2,237	2.1	3,188	2.6	8,686	5.0	23,679	8.1	38,347	
Roads, ports, telecom, urban development & other infrastructure	142	0.1	9,922	8.1	22,781	13.1	30,904	10.5	23,043	
Shipping	376	0.4	674	0.5	15,000	8.6	19,595	6.7	14,338	
Gems & jewelry	3,008	2.8	4,081	3.3	5,311	3.1	8,205	2.8	9,455	
Food and beverages	4,595	4.3	7,097	5.8	6,102	3.5	6,771	2.3	8,312	
Wholesale/retail trade	4,165	3.9	4,064	3.3	4,840	2.8	5,896	2.0	7,033	
Crude petroleum/refining and petrochemicals	2,467	2.3	2,637	2.1	2,750	1.6	2,914	1.0	3,816	
Electronics and engineering	3,025	2.8	3,406	2.8	8,775	5.0	3,796	1.3	3,329	
Textile	2,646	2.5	5,078	4.1	7,204	4.1	12,059	4.1	2,913	
Chemicals & fertilizers	1,772	1.7	1,737	1.4	1,791	1.0	2,053	0.7	1,151	
Metal & products (excluding iron & steel)	1,336	1.2	1,350	1.1	1,719	1.0	2,102	0.7	1,081	
Services—finance	1	–	569	0.5	558	0.3	523	0.2	–	
Other Industries(2)	9,577	8.9	15,151	12.3	14,797	8.6	15,176	5.2	20,741	

Gross non-performing assets	Rs. 107,165	100.0%	Rs. 122,994	100.0%	Rs. 173,870	100.0%	Rs. 293,216	100.0%	Rs. 458,861
Aggregate provision for loan losses	(78,016)		(78,366)		(96,655)		(145,431)		(188,53
Net non-performing assets	Rs. 29,149		Rs. 44,628		Rs. 77,215		Rs. 147,785		Rs. 270,331

(1) Includes home loans, commercial business loans, rural loans, automobile loans, business banking, credit cards, personal loans, loans against securities and dealer financing portfolio.

(2) Other industries primarily include developer financing portfolio, automobiles, manufacturing products (excluding metal), drugs and pharmaceuticals and fast moving consumer goods.

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See *"– Classification of Loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers"*. See also "*Operating and Financial Review and Prospects—Executive Summary-Business environment-Trends in fiscal 2017*".

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector was slow. Further, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans, into non-performing status during the second half of fiscal 2016.

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash due to the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, during fiscal 2017.

At year-end fiscal 2016, ICICI Bank had disclosed its fund-based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) to the iron and steel, mining, power, rigs and cement sectors and promoter entities internally rated below investment grade where the underlying was partly linked to these sectors, amounting to Rs. 440.7 billion. Of the Rs. 440.7 billion, Rs. 200.5 billion classified to non-performing category during fiscal 2017. Further, in fiscal 2017, restructured standard commercial loans amounting to Rs. 48.4 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms. In fiscal 2017, there was a devolvement of non-fund facilities amounting to Rs. 18.0 billion related to accounts classified as non-performing in prior periods. As a result, gross additions to non-performing commercial loans increased significantly from Rs. 161.4 billion in fiscal 2016 to Rs. 332.3 billion in fiscal 2017. During fiscal 2017, we upgraded non-performing commercial loans amounting to Rs. 4.7 billion and made recoveries of non-performing commercial loans amounting to Rs. 39.2 billion. During fiscal 2017, commercial loans amounting to Rs. 124.0 billion were written-off. In fiscal 2017, the Bank undertook certain steps as part of its non-performing assets strategy during the year. Certain large value non-performing loans, were sold to debt aggregators such as securitization/reconstruction companies as part of the Bank's recovery strategy and the differences between gross value of loans and the sale consideration was written-off, primarily against the allowances already held. Certain non-performing loans were written-off based on borrower-specific evaluation of the probability of recovery and collectability of the loans. This resulted in a higher level of write-off in fiscal 2017. Gross non-performing commercial loans increased from Rs. 266.4 billion at year-end fiscal 2016 to Rs. 430.8 billion at year-end fiscal 2017. There was an increase in gross non-performing assets in the cement sector by Rs. 53.8 billion, in the power sector by Rs. 46.5 billion, in the mining sector by Rs. 39.3 billion, in the iron/steel and products sector by Rs. 20.4 billion and in the construction sector by Rs. 14.7 billion.

The aggregate fund based exposure and outstanding non-fund based facilities to companies that were internally rated below investment grade in the above sectors and promoter entities decreased from Rs. 440.7 billion at year-end fiscal 2016 to Rs. 190.4 billion at year-end fiscal 2017 primarily due to classification of loans to non-performing category, net reduction in exposure and upgrade of credit ratings of loans, offset, in part, by a downgrade of credit ratings of loans. The fund based exposure and non-fund based facilities outstanding to below investment grade companies in the above sectors, amounted to Rs.190.4 billion at year-end fiscal 2017 including non-fund based facilities outstanding to companies where the fund-based facility outstanding was classified as non-performing asset in fiscal 2017. Apart from this, ICICI Bank's non-fund based facilities outstanding to borrowers classified as non-performing was Rs. 19.3 billion at year-end fiscal 2017.

Gross additions to non-performing consumer loans were Rs. 15.9 billion in fiscal 2017 as compared to Rs. 17.0 billion in fiscal 2016. During fiscal 2017, we upgraded non-performing consumer loans of Rs. 5.3 billion as compared to Rs. 6.3 billion in fiscal 2016. During fiscal 2017, we made recoveries against non-performing consumer loans of Rs. 7.2 billion and written-off loans of Rs. 2.1 billion. Gross non-performing consumer loans increased from Rs. 26.8 billion at year-end fiscal 2016 to Rs. 28.1 billion at year-end fiscal 2017.

In November 2016, the Reserve Bank of India extended the period for recognizing a loan account as non-performing by an additional period of 60 days, where dues were payable between November 1, 2016 and December 31, 2016. The guideline was applicable to working capital accounts/crop loans and term loans up to Rs. 10 million. Further, in December 2016, this benefit was extended by another 30 days, over and above the earlier period of 60 days, in case of working capital accounts/crop loans and term loans for business purposes of up to Rs. 10 million. Accordingly, at year-end fiscal 2017, the Bank has not classified Rs. 2.23 billion of such loans in the non-performing category that otherwise would have been classified as non-performing had these extensions not occurred.

As a result of above, our gross non-performing assets increased by 56.5% from Rs. 293.2 billion at year-end fiscal 2016 to Rs. 458.9 billion at year-end fiscal 2017. Our net non-performing assets increased by 82.9% from Rs. 147.8 billion at year-end fiscal 2016 to Rs. 270.3 billion at year-end fiscal 2017. The net non-performing asset ratio increased from 2.7% at year-end fiscal 2016 to 4.7% at year-end fiscal 2017.

Restructured Loans

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

	At March 31,					
	2013	2014	2015	2016	2017	
	Amount	Amount	Amount	Amount	Amount	Amount
	(in millions, except percentages)					
Consumer loans & credit card receivables	Rs. 388	Rs. 297	Rs. 221	Rs. 94	Rs. 168	US$ 3
Rupee	152	185	221	94	168	3
Foreign currency	236	112	-	-	-	-
Commercial[(1)]	66,919	133,151	130,566	98,580	50,687	781
Rupee	47,314	83,258	86,694	73,972	35,139	541
Foreign currency	19,605	49,893	43,872	24,608	15,548	240
Total restructured loans	67,307	133,448	130,787	98,674	50,855	784
Rupee	47,466	83,443	86,915	74,067	35,307	544
Foreign currency	19,841	50,005	43,872	24,608	15,548	240
Gross restructured loans[(2)]	67,307	133,448	130,787	98,674	50,855	784
Provision for loan losses	(5,294)	(11,235)	(9,458)	(7,581)	(3,012)	(46)
Net restructured loans	Rs. 62,013	Rs. 122,213	Rs. 121,329	Rs. 91,093	Rs. 47,843	US$ 738
Gross customer assets[(2)]	Rs. 4,001,517	Rs. 4,615,808	Rs. 5,149,278	Rs. 5,718,339	Rs. 5,923,253	US$ 91,338
Net customer assets	Rs. 3,914,869	Rs. 4,523,471	Rs. 5,026,019	Rs. 5,556,942	Rs. 5,720,375	US$ 88,209
Gross restructured loans as a percentage of gross customer assets	1.7%	2.9%	2.5%	1.7%	0.9%	
Net restructured loans as a percentage of net customer assets	1.6%	2.7%	2.4%	1.6%	0.8%	

(1) Includes working capital finance.

(2) Includes loans of ICICI Bank and its subsidiaries and credit substitutes of ICICI Bank.

The following table sets forth, at the dates indicated, gross restructured loans by borrowers' industry or economic activity and as a percentage of total gross restructured loans.

	At March 31, 2013		2014		2015		2016		2017	
	Amount	As a percent-age of restruc-tured loans	Amount	As a percent-age of restruc-tured loans	Amount	As a percent-age of restruc-tured loans	Amount	As a percent-age of restruc-tured loans	Amount	Amour
	(in millions, except percentages)									
Construction	Rs. 5,453	8.1 %	Rs. 19,168	14.4%	Rs. 34,718	26.5%	Rs. 34,470	34.9%	Rs. 18,893	US$29
Roads, port, telecom, urban development & other infrastructure	16,282	24.2	24,214	18.1	13,580	10.4	15,090	15.3	8,271	12
Power	3,828	5.7	7,879	5.9	13,378	10.2	2,080	2.1	1,296	20
Drugs and pharmaceuticals	6,993	10.4	12,574	9.4	12,364	9.5	4,708	4.8	3,680	57
Services-non finance	8,632	12.8	15,930	11.9	10,515	8.0	2,747	2.8	89	1
Iron/steel & products	1,913	2.8	11,072	8.3	9,006	6.9	9,517	9.6	1,570	24
Electronics & engineering	3,642	5.4	6,364	4.8	8,351	6.4	7,735	7.8	3,191	49
Chemicals & fertilizers	6,261	9.3	7,196	5.4	7,737	5.9	634	0.6	367	6
Services-finance	5,595	8.3	4,967	3.7	5,054	3.9	2,239	2.3	-	-
Mining	–	–	–	–	3,502	2.7	3,936	4.0	-	-
Shipping	881	1.3	9,688	7.3	2,270	1.7	3,033	3.1	2,799	43
Textiles	1,510	2.2	4,435	3.3	1,845	1.4	196	0.2	218	3
Food & beverages	720	1.1	1,898	1.4	1,494	1.1	2,519	2.6	886	14
Wholesale/retail trade	1,588	2.4	1,716	1.3	1,269	1.0	–	–	–	–
Metal & products (excluding iron & steel)	–	–	217	0.2	251	0.2	–	–	–	–
Retail finance	388	0.6	297	0.2	221	0.2	94	0.1	168	3
Manufacturing products (excluding metals)	3,004	4.5	76	0.1	202	0.2	235	0.2	384	6
Cement	320	0.5	–	–	–	–	–	–	–	–
Automobile (including	–	–	–	–	–	–	–	–	1,187	18

trucks)										
Crude petroleum/ refining & petrochemicals	–	–	–	–	–	–	8,114	8.2	7,856	12
Others	297	0.4	5,757	4.3	5,030	3.8	1,327	1.3	1	0
Gross restructured loans	Rs. 67,307	100.0%	Rs. 133,448	100 %	Rs. 130,787	100 %	Rs. 98,674	100 %	Rs. 50,855	US$ 78
Aggregate provision for loan losses	(5,294)		(11,235)		(9,458)		(7,581)		(3,012)	(4
Net restructured loans	Rs. 62,013		Rs. 122,213		Rs. 121,329		Rs. 91,093		Rs. 47,843	US$ 73

(1) Others primarily include real estate.

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During fiscal 2017, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 6.9 billion, as compared to Rs. 33.0 billion during fiscal 2016. Further, during fiscal 2017, restructured standard loans amounting to Rs. 48.4 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 53.0 billion during fiscal 2016. Restructured loans amounting to Rs. 6.3 billion were repaid in fiscal 2017 as compared to Rs. 12.1 billion in fiscal 2016. The gross outstanding standard restructured loans decreased by 48.5% from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 50.9 billion at year-end fiscal 2017 and the net outstanding restructured loans decreased by 47.9% from Rs. 91.1 billion at year-end fiscal 2016 to Rs. 47.8 billion at year-end fiscal 2017.

Further, at year-end fiscal 2017, ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 16.9 billion.

In fiscal 2017, we sold commercial loans made to 35 borrowers with aggregate book value (net of provision) of Rs. 37.1 billion to asset reconstruction companies. In fiscal 2016, we sold commercial loans made to seven borrowers with aggregate book value (net of provision) of Rs. 6.7 billion to asset reconstruction companies. See also "*—Classification of Loans—Non-Performing Asset Strategy*".

The net standard restructured loans, as a percentage of net customer assets decreased from 1.6% at year-end fiscal 2016 to 0.8% at year-end fiscal 2017. The outstanding provision on restructured loans (including the provision for funded interest) decreased from Rs. 7.6 billion at year-end fiscal 2016 to Rs. 3.0 billion at year-end fiscal 2017. *See also* "*Operating and Financial Review and Prospects—Provisions for Non-Performing Assets and Restructured Loans*".

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 117.8 billion, or 30.1%, from Rs. 391.9 billion at year-end fiscal 2016 to Rs. 509.7 billion at year-end fiscal 2017. The aggregate net non-performing assets and net restructured loans increased by Rs. 79.3 billion, or 33.2%, from Rs. 238.9 billion at year-end fiscal 2016 to Rs. 318.2 billion at year-end fiscal 2017.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring and change in management, which provide for a stand-still period during which the loan continues to be classified as standard even if the default in payment of interest or principal would otherwise have required the loan to be classified as non-performing. At year-end fiscal 2017, we had implemented strategic debt restructuring in respect of standard loans aggregating Rs. 52.4 billion, including loans amounting to Rs. 16.6 billion classified as restructured. In addition, strategic debt restructuring had been invoked and was pending implementation for standard loans of Rs. 12.1 billion at year-end fiscal 2017, including loans amounting to Rs. 6.6 billion classified as restructured.

Further, in fiscal 2015, the Reserve Bank of India had issued guidelines permitting banks to refinance long-term project loans to infrastructure and other core industries at periodic intervals without such refinancing being considered as restructuring. The amount of loans for which this refinancing scheme had been implemented was Rs. 48.9 billion at year-end fiscal 2017, out of which Rs. 26.8 billion was classified as standard. See also "*Supervision and Regulation—Regulations Relating to Advancing Loans*".

Apart from the strategic debt restructuring scheme, the Reserve Bank of India has issued guidelines with respect to loans to borrowers, whose ownership is undergoing change outside the strategic debt restructuring framework. The Reserve Bank of India guidelines allow the stand-still benefit in line with strategic debt restructuring scheme. ICICI Bank had initiated the process of change of ownership outside strategic debt restructuring for a borrower with gross loans outstanding of about Rs. 51.1 billion at year-end fiscal 2017.

During fiscal 2017, the Reserve Bank of India has introduced the scheme for sustainable structuring of stressed assets (S4A) and issued guidelines which seek to strengthen banks' ability to undertake resolution of large borrower accounts that are facing financial difficulties on account of delays in completing large projects. The scheme aims at enabling lenders to initiate deep financial restructuring, subject to fulfillment of certain conditions, for sustainable revival of projects. The scheme envisages bifurcation of the current dues of a borrower into sustainable debt and other than sustainable debt as per an independent study of the viability of the borrower's operations. The scheme also envisages that the asset classification of the borrower as on a 'reference date' (date in which the lenders jointly decide to invoke the scheme) will continue for a period of 180 days (stand-still period). At year-end fiscal 2017, ICICI Bank implemented the sustainable structuring of stressed assets scheme in two standard borrower accounts with an aggregate balance outstanding of about Rs. 2.9 billion, comprising Rs. 1.6 billion of sustainable debt and Rs. 1.4 billion of unsustainable debt. See also “*Supervision and Regulation—Regulations Relating to Advancing Loans*”.

Non-Performing Asset Strategy

In respect of unviable non-performing assets, where companies have lost financial viability, we adopt an aggressive approach aimed at out-of-court settlements, enforcing collateral and driving consolidation. Our focus is on time value of recovery and a pragmatic approach towards settlements. The collateral against our loan assets is the critical factor towards the success of our recovery efforts. In certain accounts where the value of collateral against our loan has been eroded we undertake charge offs against loan loss allowances held. However, we continue to pursue recovery efforts in these accounts, either jointly along with other lenders or individually through legal recourse and settlements. In addition, we focus on proactive management of accounts under supervision. Our strategy constitutes a proactive approach towards identification, aimed at early stage solutions to incipient problems.

Our strategy for resolution of non-performing assets includes sales of financial assets to asset reconstruction companies in exchange for receipt of securities in the form of pass-through instruments issued by asset reconstruction companies, wherein payments to holders of the securities are based on the actual realized cash flows from the transferred assets. Under Indian GAAP, these instruments are valued at the net asset values as declared by the asset reconstruction companies in accordance with the Reserve Bank of India guidelines. Under U.S. GAAP, the assets we sell in exchange for security receipts are not accounted for as sales either because transfers do not qualify for sale accounting under FASB ASC Topic 860, “Transfers and servicing”, or transfers were impacted by FASB ASC Subtopic 810-10, “Consolidation – overall”, whereby, because the Bank is the ‘primary beneficiary’ of certain of these funds/trusts, it is required under U.S. GAAP to consolidate these entities. These assets are considered restructured assets under U.S. GAAP. See also “*Supervision and Regulation—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies*”. We sold net non-performing assets to asset reconstruction companies amounting to Rs. 0.1 billion in fiscal 2013, Rs. 1.5 billion in fiscal 2014, Rs. 3.3 billion in fiscal 2015, Rs. 6.7 billion in fiscal 2016 and Rs. 37.1 billion in fiscal 2017. At year-end fiscal 2017, we had an outstanding net investment of Rs. 32.9 billion in security receipts issued by asset reconstruction companies in relation to sales of our non-performing assets. We are also permitted to sell financial assets, classified as standard assets that are overdue for more than 60 days to asset reconstruction companies in terms of the Reserve Bank of India guidelines. We sold financial assets classified as standard amounting to Rs. 3.2 billion in fiscal 2016 and Rs. 5.8 billion in fiscal 2017.

As part of strategy for resolution of stressed assets, the Bank along with other lenders undertakes strategic debt restructuring in terms of the Reserve Bank of India guidelines. In terms of these guidelines the Bank, along with other lenders, takes steps for change in management in certain accounts by acquiring a majority ownership of these borrowers through conversion of debt into equity with forbearance in asset classification for a pre-defined period of 18 months (stand-still benefit). A failure to arrive at a resolution at the end of the stand-still period would result in such loans being classified as non-performing. Apart from strategic debt restructuring, the Bank also undertakes steps to change the management outside the Strategic Debt Restructuring framework under the Reserve Bank of India’s guidelines. In large borrower accounts that are facing financial difficulties on account of delays in completing large projects, the Bank takes measures along with other lenders in the banking arrangement for deep financial restructuring under the scheme for sustainable structuring of stressed assets introduced by the Reserve Bank of India. These measures are expected to assist in sustainable revival of the projects by bifurcating the existing loans of these borrowers into sustainable debt and other than sustainable debt based on independent studies of viability of the borrowers' operations.

In May 2016, the Insolvency and Bankruptcy Code was enacted which provides for a time-bound revival and rehabilitation of stressed assets. Further, in June 2017, an ordinance was promulgated by the government, which empowers the Reserve Bank of India to intervene and advise banks on resolution of stressed assets. Subsequently, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. The Reserve Bank of India has also directed banks to make a provision for these cases to the extent of 50.0% of the secured portion and 100.0% of the unsecured portion of the outstanding loans or the provision required as per the existing guidelines of the Reserve Bank of India, whichever is higher. These provisions are required to be spread proportionately from the three months ended September 30, 2017 to the three months ended March 31, 2018. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code. Banks will be required to make 100.0% provision on the loans in which the liquidation order is passed by the National Company Law Tribunal. At year-end fiscal 2017, the Bank had fund-based exposure of about Rs. 69.0 billion on these borrowers with provision coverage of about 36.0%. Banks are in discussion and in the process of recommending these cases to the National Company Law Tribunal.

We monitor migration of the credit ratings of our borrowers to enable us to take proactive remedial measures to prevent loans from becoming non-performing. We review the industry outlook and analyze the impact of changes in the regulatory and fiscal environment. Our periodic review system helps us to monitor the health of accounts and to take prompt remedial measures. We generally stipulate that corporate loans should be collateralized at the date of the loan's origination. However, recoveries may be subject to delays of up to several years, due to the long legal process in India. This leads to delay in enforcement and realization of collateral. We may also take as security a pledge of financial assets, including marketable securities, and obtain corporate guarantees and personal guarantees wherever appropriate. In certain cases, the terms of financing include covenants relating to sponsors' shareholding in the borrower and restrictions on the sponsors' ability to sell all or part of their shareholding. Covenants involving equity shares have top-up mechanism based on price triggers. We maintain the non-performing assets on our books for as long as the enforcement process is ongoing. Accordingly, a non-performing asset may continue for a long time in our portfolio until the settlement of loan account or realization of collateral, which may be longer than that for U.S. banks under similar circumstances. See also "*—Loan portfolio—Collateral—Completion, Perfection and Enforcement*".

Secured loans to retail customers are secured by first and exclusive liens on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. In respect of our retail loans, we adopt a standardized collection process to ensure prompt action for follow-up on overdue loans and recovery of defaulted amounts.

Provision for Loan Losses

The following table sets forth, at the periods indicated, the change in the provisions for our non-performing asset portfolio.[1]

	At March 31,					
	2013	2014	2015	2016	2017	2017
	(in millions)					
A. Consumer loans & credit card receivables [2],[3]						
Aggregate provision for loan losses at the beginning of the year	Rs. 56,928	Rs. 42,642	Rs. 25,587	Rs. 16,752	Rs. 16,052	US$ 248
Add: Provision made during the year	7,630	7,015	4,580	6,097	7,110	109
Less: Provision utilized for write-off	(15,339)	(19,584)	(8,609)	(2,778)	(2,106)	(33)
Less: Write-back of excess provision	(6,577)	(4,486)	(4,806)	(4,019)	(3,847)	(59)
Aggregate provision for loan losses at the end of the year	Rs. 42,642	Rs. 25,587	Rs. 16,752	Rs. 16,052	Rs. 17,209	US$ 265
B. Commercial [4]						

Aggregate provision for loan losses at the beginning of the year	Rs. 22,852	Rs. 35,279	Rs. 52,682	Rs. 79,833	Rs. 129,309	US$ 1,994
Add: Provision made during the year	16,658	21,977	38,278	81,046	163,996	2,529
Less: Provision utilized for write-off	(1,996)	(2,454)	(9,107)	(26,866)	(114,415)	(1,764)
Less: Write-back of excess provision	(2,235)	(2,120)	(2,020)	(4,704)	(7,576)	(117)
Aggregate provision for loan losses at the end of the year	Rs. 35,279	Rs. 52,682	Rs. 79,833	Rs. 129,309	Rs. 171,314	US$ 2,642
C. Leasing and related activities						
Aggregate provision for loan losses at the beginning of the year	Rs. 95	Rs. 95	Rs. 97	Rs. 70	Rs. 70	US$ 1
Add: Provision made during the year	–	2	–	–	–	–
Less: Provision utilized for write-off	–	–	–	–	(63)	(1)
Less: Write-back of excess provision	–	–	(27)	–	–	–
Aggregate provision for loan losses at the end of the year	Rs. 95	Rs. 97	Rs. 70	Rs. 70	Rs. 7	US$ –
D. Total provision (A+B+C)						
Aggregate provision for loan losses at the beginning of the year	Rs. 79,875	Rs. 78,016	Rs. 78,366	Rs. 96,655	Rs. 145,431	US$ 2,243
Add: Provision made during the year	24,288	28,994	42,858	87,143	171,106	2,638
Less: Provision utilized for write-off	(17,335)	(22,038)	(17,716)	(29,644)	(116,584)	(1,798)
Less: Write-back of excess provision	(8,812)	(6,606)	(6,853)	(8,723)	(11,423)	(176)
Aggregate provision for loan losses at the end of the year	Rs. 78,016	Rs. 78,366	Rs. 96,655	Rs. 145,431	Rs. 188,530	US$ 2,907

(1) Includes loans identified as impaired in line with the guidelines issued by regulators of the respective subsidiaries.

(2) Up to 2014, for "Credit card receivables", the difference between the opening and closing balances of aggregate provision for loan losses is included in "Add: Provision made during the year" on a net basis, except with respect to accounts written-off during the year, which were included in the "Less: Provision utilized for write-off" row.

(3) Includes home loans, automobile loans, commercial business loans, two-wheeler loans, personal loans, credit card receivables and farm equipment loans.

(4) Includes working capital finance.

As discussed in "— Classification of Loans—Restructured Loans" and "—Non-Performing Assets", there has been a significar higher increase in additions to non-performing loans across industrial sectors in fiscal 2016 and 2017. This has resulted in higher provisions in fiscal 2016 and fiscal 2017. The provisions, net of write-back of excess provisions, increased from Rs. 78.4 billion in fiscal 2016 to Rs. 159.7 billion in fiscal 2017, primarily due to higher provision on commercial loans.

ICICI Bank had disclosed its fund-based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) at year-end fiscal 2016 to the iron and steel, mining, power, rigs and cement sectors and promoter entities internally rated below investment grade where the underlying asset was partly linked to these sectors. In view of the uncertainties relating to these sectors and the time that it might take to resolve the Bank's exposure to these sectors, the Bank had made a collective contingency and related reserve in fiscal 2016 amounting to Rs. 36.0 billion towards these exposures to these sectors. This reserve was over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under the Reserve Bank of India guidelines and Indian GAAP. During fiscal 2017, ICICI Bank allocated the full amount of the collective contingency and related reserve towards the provisions for loans and fixed assets acquired in partial satisfaction of loans.

Potential problem loans

When management has doubts as to a borrower's ability to comply with loans' repayment terms, the Bank considers these loans as potential problem loans. At year-end fiscal 2017, the Bank had Rs. 267.6 billion in potential problem loans, which were not classified as non-performing or restructured assets. Potential problem loans at year-end fiscal 2017 included below investment grade loans to power, mining and iron & steel and certain promoter entities where the underlying is partly linked to these sectors. We closely monitor these loans and the borrowers of these loans for compliance with the loan repayment terms. We also similarly monitor past-due loans and below-investment grade loans, as discussed in Schedule 18B of the consolidated financial statements.

Subsidiaries, Associates and Joint Ventures

The following table sets forth certain information relating to our subsidiaries and joint ventures at year-end fiscal 2017.

Name	Year of formation	Activity	Ownership interest	Total income[1]	Net worth[2]	Total assets[3]
				(in millions, except percentages)		
ICICI Venture Funds Management Company Limited	January 1988	Private equity/ venture capital fund management	100.00 %	Rs.932	Rs.2,068	Rs.3,878
ICICI Securities Primary Dealership Limited	February 1993	Securities investment, trading and underwriting	100.00 %	16,271	9,435	131,704
ICICI Prudential Asset Management Company Limited	June 1993	Asset management company for ICICI Prudential Mutual Fund	51.00 %	13,497	7,332	9,973
ICICI Prudential Trust Limited	June 1993	Trustee company for ICICI Prudential Mutual Fund	50.80 %	6	13	15
ICICI Securities Limited	March 1995	Securities broking & merchant banking	100.00 %	14,039	4,851	20,402
ICICI International Limited	January 1996	Asset management	100.00 %	11	88	94
ICICI Trusteeship Services Limited	April 1999	Trusteeship services	100.00 %	1	6	6
ICICI Home Finance Company Limited	May 1999	Housing finance	100.00 %	10,528	16,072	94,274
ICICI Investment Management Company Limited	March 2000	Asset management	100.00 %	25	109	110

ICICI Securities Holdings Inc.	June 2000	Holding company	100.00 %	0.4	127	128
ICICI Securities Inc.	June 2000	Securities broking	100.00 %	164	136	208
ICICI Prudential Life Insurance Company Limited	July 2000	Life insurance	54.89 %	380,850	64,080	1,247,425
ICICI Lombard General Insurance Company Limited	October 2000	General insurance	63.31 %	132,189	44,038 (4)	233,509
ICICI Bank UK PLC	February 2003	Banking	100.00 %	9,223	34,580	225,663
ICICI Bank Canada	September 2003	Banking	100.00 %	10,627	30,460	307,601
ICICI Prudential Pension Fund Management Company Limited(5)	April 2009	Pension fund management	100.00 %	Rs. 24	Rs. 270	Rs. 279

(1) Total income represents gross income from operations and other income.

(2) Net worth represents share capital, share application money and reserves and surplus.

(3) Total assets represent fixed assets, advances, investments and gross current assets (including cash and bank balances).

(4) Includes share capital, share application money-pending allotment, securities premium and fair value reserve.

(5) ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.

The following table sets forth certain information on other significant entities whose results were included in the consolidated financial statements under Indian GAAP at year-end fiscal 2017.

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Name	Year of formation	Activity	Ownership interest	Total income[1]	Net worth[2]	Total assets[3]
				(in millions, except percentages)		
ICICI Strategic Investments Fund[4]	February 2003	Unregistered venture capital fund	100.00 %	Rs. 159	Rs. 227	Rs. 273
I-Process Services (India) Private Limited[5]	April 2005	Services related to back end operations	19.00 %	3,652	(72)	548
NIIT Institute of Finance, Banking and Insurance Training Limited[5]	June 2006	Education and training in banking and finance	18.79 %	169	114	138
ICICI Merchant Services Private Limited[5]	July 2009	Merchant servicing	19.01 %	2,135	2,915	5,016
India Infradebt Limited[5]	October 2012	Infrastructure finance	31.00 %	3,347	4,280	49,394
India Advantage Fund-III[5]	June 2005	Venture Capital Fund	24.10 %	167	3,782	4,099
India Advantage Fund-IV[5]	August 2005	Venture Capital Fund	47.14 %	Rs. 115	Rs. 2,750	Rs. 2,787

(1) Total income represents gross income from operations and other income of the entity.

(2) Net worth represents share capital/unit capital (in case of venture capital funds) and reserves and surplus of the entity.

(3) Total assets represent fixed assets, advances, investments and gross current assets (including cash and bank balances) of the entity.

(4) This entity has been consolidated as per Accounting Standard 21 – Consolidated Financial Statements.

(5) These entities have been accounted for as per the equity method as prescribed by AS 23 on ‘Accounting for Investments in Associates in Consolidated Financial Statements’.

Note: During fiscal 2017, FINO Pay Tech Limited ceased to be a consolidating entity and accordingly have not been consolidated.

At year-end fiscal 2017, all of our subsidiaries and joint ventures were incorporated in India, except the following five companies:

- ICICI Securities Holdings Inc., incorporated in the United States;
- ICICI Securities Inc., incorporated in the United States;
- ICICI Bank UK PLC, incorporated in the United Kingdom;
- ICICI Bank Canada, incorporated in Canada;
- ICICI International Limited, incorporated in Mauritius.

ICICI Securities Holdings Inc. is a wholly owned subsidiary of ICICI Securities Limited and ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' Limited's financial statements.

Technology

We continue to endeavor to be at the forefront of usage of technology in the financial services sector. We strive to use information technology as a strategic tool for our business operations, to gain competitive advantage and to improve our overall productivity and efficiency. We aim to bring in high levels of functionality to all our channels such as branches, internet banking, ATMs, mobile banking, tablet banking which involves opening bank accounts using tablets, phone banking and Facebook banking where banking facilities are provided through a social network, and at the same time continue to improve and strengthen security, infrastructure and networks. We continue to invest in technologies to provide a secure, superior, seamless and uniform service experience to customers across all channels. In order to enable organization-level coordinated efforts and enhance our focus on leveraging technology and capitalizing on opportunities in the digital space, we created a technology and digital group in the Bank, headed by a Chief Technology and Digital Officer, which integrates all the technology teams as well as the digital channels, business intelligence and analytics teams with a view to building strategic synergies across business groups. The technology and digital group is also responsible for incubating innovative projects and developing partnerships in the digital space.

Our technology initiatives are aimed at enhancing value, offering customers greater convenience and improved service levels while optimizing costs. Our focus on technology emphasizes:

Electronic and online channels to:

- offer easy access to our products and services;
- reduce distribution and transaction costs;
- new customer acquisition;
- enhance existing customer relationships; and
- reduce time to market.

The application of information systems for:

- increasing our customer base;
- effective marketing;
- monitoring and controlling risks;
- identifying, assessing and capitalizing on market opportunities; and
- assisting in offering improved products and services to customers.

We also seek to leverage our domestic technology capabilities in our international operations.

Technology Organization

Our technology and digital group has been created to provide an integrated technology and digital agenda for the Bank across various business groups including retail, corporate, small and medium enterprises and treasury. The group comprises a digital channels group focused on internet banking and mobile solutions, a digital partnerships group for developing partnerships with technology-driven companies, a business technology group to support core banking and other systems used by business groups, a corporate center technology group to provide technology systems used by the corporate center, markets and human resources groups, a technology infrastructure and a technology management group to provide the required infrastructure, and an innovation lab that will be prototyping, incubating and piloting strategic digital projects.

Banking Application Software

We use banking applications like a core banking system, loan management system, and credit card management system, all of which are flexible and scalable and allow us to serve our growing customer base. A central stand-in server ensures services all days of the week, throughout the year, to the various delivery channels even if the primary systems are unavailable. Our core banking loan management and credit card management systems are flexible and scalable to serve our growing customer base. Our backup systems are strengthened to improve management and governance relating to backups.

Electronic and Online Channels

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped to differentiate our products in the marketplace. Our branch banking software is flexible and scalable and integrates seamlessly with our electronic delivery channels. At year-end fiscal 2017, we had 13,882 automated teller machines across India. Our automated teller machines have additional features such as instant fund transfer, bill payment and insurance premium payment. At year-end fiscal 2017, we had 110 fully automated Touch Banking branches that provide 24-hour simple and convenient electronic banking to customers. At these branches, customers can perform banking transactions like cash deposits, cash withdrawals and interact with our customer service staff through video-conferencing facilities. Our employees open new customer accounts using tablets to capture customer information digitally in order to minimize physical documents and improve efficiency in opening of new deposit accounts.

We offer a number of online banking services to our customers for both corporate and retail products and services. Our website offers a seamless and customized experience across multiple devices. It also gives differential experience to different customer segments. Our call centers across locations at Thane and Hyderabad are operational around the clock and are equipped with multiple leading edge systems such as interactive voice response systems, automatic call distribution, computer telephony integration and voice recorders. We seek to use the latest technology in these call centers to provide an integrated customer view to the call center agents to get a complete overview of the customer’s relationship with us. The database enables customer segmentation and assists the call agent in identifying and executing cross-selling opportunities. Our banking application on Facebook allows customers to access their account details, view account statements and place service requests.

We also have innovative payment services on Twitter, through which customers can transfer funds while using Twitter.

We offer mobile banking services in India in line with our strategy to offer multi-channel access to our customers. This service has now been extended to all mobile telephone service providers across India and non-resident Indian customers in certain other countries where we have a presence. In recent years, we have enhanced our focus on mobile banking in view of the growing use of mobile phones for various applications. During fiscal 2016, we migrated our mobile banking application, iMobile, to an enhanced framework and revamped the application to make it comprehensive and now, offers more than 165 services, which are available across all mobile platforms. The offerings integrated in the application enable the customers to enjoy the option of logging in through either their mobile pin (MPIN) or personalized username, initiate a transaction before reaching the branch through Insta Banking, purchase insurance and mutual funds, pay taxes and avail forex services. It allows customers to directly call our call center, withdraw cash from automated teller machines without using a card, tag frequent transactions as favorites and receive alerts from Google Now and Touch ID (from Apple) as an alternate authentication method for secured login. During fiscal 2017, we introduced Chatbots, an artificial intelligence enabled chat feature to perform various banking activities.

Our online remittance solution is also available as a mobile application across major platforms and allows customers to track exchange rates and initiate remittance transactions. In the area of remittances, we have focused on products that can expedite money transfer and offer convenience to customers in remitting money to India. We have enhanced our remittance services, Money2India website and mobile application, for seamless experience and offer round the clock instant transfers.

We launched our e-wallet called the “Pockets” in fiscal 2015, which is a mobile application allowing an individual to transact on any website or mobile application in India. The e-wallet allows for the transfer of funds to any email ID, mobile number, friend on Facebook and bank account, the payment of bills and the booking of tickets. We have also provided solutions in areas like urban mass rapid transit payment systems and electronic toll collection on highways and have developed exclusive cards with the convenience of automatic top-up of the balance available for transit or toll payments, thus minimizing waiting time for making such payments.

We launched electronic toll collections and transit card solutions during fiscal 2017. We introduced transit cards for metro trains and have tied up with metro operators in Delhi, Mumbai, Hyderabad, Bengaluru and Ahmedabad. We have issued prepaid radio frequency identification tags for vehicles for electronic toll collection and have also developed a central clearing house to process the toll payments.

We have launched two digital initiatives to simplify and speed up the assessment for new home loans as well as disbursements linked to the construction stage of projects. The first initiative called ‘Express Home Loans’ allows online approval of home loans within eight working hours. This service is available for all salaried individuals, including non-ICICI Bank customers. The second initiative helps individuals taking home loans for under construction projects to get subsequent disbursements through our ‘iLoans’ mobile application.

We also launched a contactless mobile payment solution which allows cashless payments using smartphones, thereby eliminating the need to carry cash or debit and credit cards. In fiscal 2016, we had launched a virtual mobile application development challenge called 'ICICI Appathon' tapping into the immense talent of a techno-innovative generation to bring new ideas and develop the next generation of banking applications on mobile phones. During fiscal 2017, an idea presented by a participant at the appathon was adopted, leading to the introduction of a new feature on our mobile platform, "iMobile Smartkeys". This enables making payments using a smartphone keyboard while being on any other application or browser.

We worked closely with the National Payments Corporation of India for the development of the Unified Payment Interface, a payment platform which allows instant transfer of funds to any bank account using a virtual payment address and without requiring bank account details. The Unified Payment Interface has been promoted by us through various platforms. We introduce Unified Payment Interface in our mobile application and our digital wallet. We also enabled payment through the Bharat Interface for Money, a mobile application promoted by the government of India and built using the Unified Payment Interface. We enabled payments using the Unified Payment Interface for users of the Truecaller app in India. We launched a mobile application for merchants in India,'Eazypay', which allows merchants to accept payments on mobile phones through multiple modes including credit/debit cards of any bank, internet banking and through our digital wallet.

We have taken several steps to expedite transaction processing using technology. We have introduced software robotics, and are using over 500 software robots to perform over a million banking transactions every working day. This has enabled us to significantly reduce our response time to our customers.

In an initiative to promote a digital culture and a less cash economy in the villages, we have undertaken a program to promote use of digital technology in the villages. This program encompasses digitization of transactions and commercial activities in the villages, besides providing credit facilities and market linkages. Through the ICICI Foundation for Inclusive Growth, we are also providing vocational training for livelihood generation in the villages. During fiscal 2017, we converted 100 villages into ICICI Digital Villages. We also launched a mobile application for rural customers, 'Mera iMobile', which allows users in rural areas to access banking services as well as information in agricultural services.

High-Speed Electronic Communications Infrastructure

We have a nationwide data communications backbone linking all our channels and offices. The network is designed for extensive reach and redundancy, which are imperative in a vast country like India.

Operations Relating to Commercial Banking for Corporate Customers

Our corporate banking back office operations are centralized and we have a business process management solution to automate our activities in the areas of trade services and general banking operations. Through integration of the workflow system with the imaging and document management system, we have achieved substantial savings and practically eliminated the use of paper for these processes. We have a comprehensive payments solution for institutional and government customers. We have an online tendering platform, supporting multiple payment modes and covering various electronic collection and payment products. Under the new goods and services tax regime introduced in July 2017, we have been authorized to collect taxes by the government of India, which will facilitate payment of taxes by corporates directly to the government. We are also building on new technologies to simplify and expedite processes. During fiscal 2017, we executed pilot transactions in international trade finance and remittance using blockchain technology.

We upgraded our treasury-trading infrastructure to a state-of-the-art internet protocol telephony based architecture. We have also enhanced our existing process of automation in the treasury business, thus reducing trading risks and enhancing market competitiveness. We have centralized the processing systems of treasuries of all our overseas branches and banking subsidiaries. As a result, the processing of transactions as well as the applications used for deal entry are now centrally located and maintained in India.

Customer Relationship Management

We have implemented a customer relationship management solution for the automation of customer service requests in all key retail products. The solution helps in tracking and timely resolution of various customer queries and issues.

The solution has been deployed at the telephone banking call centers as well as at a large number of branches.

Data Warehousing and Data Mining

We have a data warehouse for customer data aggregation and data mining initiatives. We have implemented an enterprise application integration initiative across our retail and corporate products and services, to link various products, delivery and channel systems. This initiative follows from our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It also aims to provide us with valuable information to compile a unified customer view and creates various opportunities associated with cross-selling and upselling other financial products.

Data Center and Disaster Recovery System

We have a data center at Hyderabad, which is designed to optimize energy efficiency and accommodate high server densities. We also have a disaster recovery data center at Jaipur. We have developed business continuity plans, which would help facilitate continuity of critical businesses in the event of a disaster. These plans are tested periodically and have been prepared in line with the guidelines issued by the Reserve Bank of India and have been approved by our Board of Directors.

Cyber Security

We have taken a comprehensive approach pertaining to cyber security and have laid down policies, standards and guidelines for ensuring security against cyber threats. We have implemented a robust information and cyber security control framework by deploying several security controls including firewalls, intrusion prevention systems, a digital rights management solution, a data leakage prevention solution, an anti-email spoofing framework, mobile device management and an advanced behavior based anti-malware and dynamic URL filtering solution. We have adopted a defense-in-depth approach to protect our cyber security infrastructure. We have a dedicated in-house Cyber Security Operations Centre for monitoring and handling cyber security incidents.

Competition

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, non-banking financial companies, new differentiated banks in the private sector such as payments banks and small finance banks, non-bank entities offering retail payments services, mutual funds and investment banks. We are the largest private sector bank in India in terms of total assets on a consolidated basis. We seek to gain competitive advantage over our competitors by offering innovative products and services, using technology, building customer relationships and developing a team of highly motivated and skilled employees. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Commercial Banking Products and Services for Retail Customers

In the retail markets, competition has traditionally been from foreign and Indian commercial banks, non-banking financial companies and housing finance companies. In recent years, competition is also emerging from new types of banks that have entered the financial market such as small finance banks and payments banks and niche players like non-bank entities offering payments and remittance services.

The retail market is rapidly changing with developments in technology and innovations in mobility and digitization. This has increased the focus of Indian banks on leveraging these trends to compete effectively. Banks in India, including us, are offering products and services through multiple technology-enabled channels including mobile and internet based banking services, apart from the traditional branch network. Foreign banks have the product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller customer base than Indian commercial banks. Foreign banks had 287 branches in India at March 31, 2017. Indian public sector banks have wide branch distribution networks but generally are relatively less strong in technology and marketing capabilities. Private sector banks have a relatively smaller branch network but stronger technology capabilities. In addition, some specialized non-banking financial companies have increased market share in certain segments of retail banking products. We seek to compete in this market through a full product portfolio and effective distribution channels, which include new technological offerings, branches, agents, robust credit processes and collection mechanisms, and experienced professionals.

Commercial banks compete to attract retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalize on our corporate relationships to gain individual customer accounts through payroll management products. We pursue a multi-channel distribution strategy utilizing physical branches, business correspondents, ATMs, telephone banking call centers, mobile banking, tablet banking, the internet and social media to reach customers. Further, following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to customers depending on their occupation, age and income profile. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence present a competitive alternative to bank deposits. Competition in lending to the retail segment has increased significantly in recent years. Commercial banks, particularly private sector banks, are significantly increasing lending to retail customers due to the limited opportunities in lending to the corporate sector, thus leading to competitive pressures. We also face competition from non-banking finance companies that are lending in segments in which banks have a presence, including home loans and vehicle loans. In recent years, the non-banking finance companies have significantly expanded their presence in the retail market, as commercial banks have slowed down lending due to the challenging operating and recovery environment.

New banks in the private sector are also competing with us. The Reserve Bank of India has granted approval to two applicants for setting up new private sector banks which began banking operations during fiscal 2016. The Reserve Bank of India has given licenses to payments banks, which includes large telecom companies and pre-paid wallet providers. Licenses have also been given to small finance banks, which include micro-finance non-banking finance companies. Six small finance banks and four payments banks have begun operations. The Reserve Bank of India has released a discussion paper on licensing of wholesale and long-term finance banks that will largely lend to infrastructure and core industries. A discussion paper on licensing of other differentiated banks such as custodian banks is also indicated. The Reserve Bank of India has released draft guidelines in May 2016 with respect to continuous licensing policy for universal banks as compared to the earlier practice of intermittently issuing licenses. The Reserve Bank of India has also indicated that it plans to give greater access to foreign banks in the Indian market. The Reserve Bank of India released a framework for the presence of foreign banks in November 2013 and has indicated that the subsidiary route would be the preferred mode of presence for foreign banks and has proposed giving near national treatment based on the principles of reciprocity and subsidiary mode of presence.

Commercial Banking Products and Services for Agricultural and Rural Customers

In our commercial banking operations for agricultural and rural customers, we face competition from public sector banks that have large branch networks in rural India. Other private sector banks and non-banking finance companies have also increased their focus on rural markets. We also face competition from specialized players such as rural-focused financial institutions and micro finance companies. The Reserve Bank of India has issued licenses to specialized small finance banks, which have higher directed lending targets compared to banks and will compete in the rural and unorganized sectors. We seek to compete in this business based on our product strategy, technological capabilities and having multiple channels.

Commercial Banking Products and Services for Corporate Customers

In products and services for corporate customers, the public sector banks have an advantage considering their strong corporate relationships and long association with corporate financing. Public sector banks and certain private sector banks also have a traditional competitive advantage with respect to the government banking segment. In recent years, the corporate sector has been facing significant challenges which has led to a slowdown in lending to the sector by public sector banks. Private sector banks have, however, continued to increase their credit to corporate customers. We seek to compete in this segment based on our service and prompt turnaround time that we believe are significantly faster than public sector banks. We offer customized financial solutions to customers based on the changing macro-economic landscape. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities. Traditionally, foreign banks have been active in providing treasury-related products and services, trade finance, fee-based services and other short term financing products to top-tier Indian corporations. We compete with foreign banks in cross-border trade finance based on our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and leverage our balance sheet size, wider branch network, strong technology capabilities and our international presence to compete in treasury-related products and services.

Other new private sector banks will also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, we believe that our size, capital base, strong corporate relationships, wider geographical reach and ability to use technology to provide innovative, value-added products and services provide us with a competitive edge.

In project finance, our competitors are Indian and foreign commercial banks who have sought to expand their presence in this market. We believe that we have a competitive advantage due to our strong market reputation and expertise in risk evaluation and mitigation. We believe that our in-depth sector specific knowledge and capabilities in understanding risks and policy related issues as well as our advisory, structuring and syndication services have allowed us to gain credibility with project sponsors, overseas lenders and policy makers.

Commercial Banking Products and Services for International Customers

Our international strategy is focused on India-linked opportunities. In our international operations, we face competition from Indian public sector banks with overseas operations, foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers such as remittance services. Foreign banks have become more competitive in providing financing to Indian businesses leveraging their strength of access to lower cost foreign currency funds. We are seeking to position ourselves as an Indian bank offering globally-benchmarked products and services with an extensive distribution network in India to gain competitive advantage. We seek to leverage our technology capabilities developed in our domestic businesses to offer convenience and efficient services to our international customers. We also seek to leverage our strong relationships with Indian corporations in our international business.

Insurance and Asset Management

Our insurance and asset management businesses face competition from existing dominant public sector players as well as new private sector players. We believe that ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company have built strong product, distribution and risk management capabilities, achieving strong market positions in their respective businesses. We believe that the ability to leverage ICICI Bank's retail franchise and distribution network is a key competitive advantage for our insurance and asset management subsidiaries.

Employees

At year-end fiscal 2017, we had 107,971 employees, including sales executives, employees on fixed term contracts and interns, compared to 97,132 employees at year-end fiscal 2016 and 90,486 employees at year-end fiscal 2015. Of these, 82,841 employees were employed by ICICI Bank at year-end fiscal 2017, an increase from 74,096 at year-end fiscal 2016. Of our 107,971 employees at year-end fiscal 2017, approximately 49,277 were professionally qualified, holding degrees in management, accountancy, engineering, law, computer science, economics or banking.

We dedicate a significant amount of senior management time to ensuring that employees remain highly motivated and are aligned to the organization's core employee proposition. Employee compensation is linked to performance and we encourage the involvement of our employees in the overall performance and profitability of the Bank. Performance appraisal and talent management systems have been instrumental in assisting management in career development and succession planning. Management believes that it has good working relationships with its employees.

ICICI Bank has an employee stock option scheme to encourage and retain high-performing employees. Pursuant to the employee stock option scheme, up to 10.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock options entitle eligible employees to apply for equity shares. Pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014, options are granted by the Board Governance, Remuneration & Nomination Committee (BGRNC) and noted by the Board.

The eligibility of each employee is determined based on an evaluation including the employee's work performance and potential. ICICI Bank pays performance linked retention pay to its frontline employees and junior management and performance bonus to its middle and senior management. Performance linked retention pay aims to reward front line and junior managers mainly on the basis of skill maturity attained through experience and continuity in role which a key differentiator for customer services. ICICI Bank also pays variable pay to sales officers and relationship manager in wealth management roles while ensuring that such pay-outs are in accordance with the compensation-related guidelines of the Reserve Bank of India. The Bank ensures a higher proportion of variable pay at senior levels and lower variable pay at front-line staff and junior management levels. The quantum of bonus for an employee does not exceed a certain percentage of the total fixed pay in a year. Within this percentage, if the bonus exceeds a predefined percentage of the fixed pay, a part of the bonus is deferred and paid over a period. The deferred portion is subject to malus, under which ICICI Bank would prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence, breach of integrity or in the event of reasonable evidence of deterioration in financial performance. In such cases, variable pay already paid out is subject to claw-back arrangements. See also "*Management—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme*".

ICICI Bank has training centers, where various training programs designed to meet the changing skill requirements of its employees are conducted. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training centers regularly offer courses conducted by faculty, both national and international, drawn from industry, academia and ICICI Bank's own organization. Training programs are also conducted for developing functional as well as managerial skills. Products and operations training are also conducted through web-based training modules.

In addition to basic compensation, employees of ICICI Bank are eligible to receive loans from ICICI Bank at subsidized rates and to participate in its provident fund and other employee benefit plans. The provident fund, to which both ICICI Bank and its employees contribute a defined amount, is a savings scheme, required by government regulation, under which ICICI Bank at present is required to pay to employees a minimum annual return as specified from time to time, which was specified at 8.65% for fiscal 2017. If such return is not generated internally by the fund, ICICI Bank is liable for the difference. ICICI Bank has also set up a superannuation fund to which it contributes defined amounts. The employees have been given an option to opt out of the superannuation fund and in such cases the defined amounts are paid as part of monthly salary. In addition, ICICI Bank contributes specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

The following table sets forth, at the dates indicated, the number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities.

	At March 31, 2015		2016		2017	
	Number	% of total	Number	% of total	Number	% of total
ICICI Bank Limited	67,857	75.0	74,096	76.3	82,841	76.7
ICICI Prudential Life Insurance Company Limited	10,909	12.1	10,706	11.0	12,437	11.5
ICICI Lombard General Insurance Company Limited	5,829	6.4	6,427	6.6	6,460	6.0
ICICI Home Finance Company Limited(2)	528	0.6	515	0.5	287	0.3
ICICI Prudential Asset Management Company Limited	1,006	1.1	1,184	1.2	1,476	1.4
ICICI Securities Limited	3,815	4.2	3,676	3.8	3,925	3.6
ICICI Securities Primary Dealership Limited	76	0.1	77	0.1	76	0.1
Others	466	0.5	451	0.5	469	0.4
Total number of employees(1)	90,486	100.0	97,132	100.0	107,971	100.0

(1) Includes interns, sales executives and employees on fixed-term contract totaling 1,850 at year-end fiscal 2017, 2,070 at year-end fiscal 2016 and 1,647 at year-end fiscal 2015.

(2) All employees are deputed from ICICI Bank.

Properties

Our registered office is located at ICICI Bank Tower, Near Chakli Circle, Old Padra Road, Vadodara 390 007, Gujarat, India. Our corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India.

ICICI Bank had a principal network consisting of 4,850 branches and 13,882 ATMs at March 31, 2017 compared to 4,450 branches and 13,766 ATMs at March 31, 2016. These facilities are located throughout India. In addition to branches, extension counters and ATMs, ICICI Bank has 45 controlling or administrative offices, including our registered office at Vadodara and our corporate headquarters at Mumbai, 66 processing centers and 35 currency chests. We have branches in Bahrain, Dubai International Financial Centre, Hong Kong, Qatar Financial Centre, Singapore, Sri Lanka, the United States, South Africa, China and representative offices in the United Arab Emirates, Bangladesh, Indonesia, and Malaysia. We also provide residential facilities to employees. At March 31, 2017, we owned 709 apartments for providing residential facilities to our employees.

Legal and Regulatory Proceedings

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. We are involved in a number of legal proceedings and regulatory relationships in the ordinary course of our business. However, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

The following penalties were imposed and paid by us in the past:

- In May 2012, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 11.8 million on ICICI Prudential Life Insurance Company because of non-compliance with certain provisions of the Insurance Act, 1938 and regulations/guidelines issued by the Insurance Regulatory and Development Authority in respect of distribution partners and group insurance.

- In May 2012, the Reserve Bank of India imposed a penalty of Rs. 0.1 million on the Bank in connection with an operational error regarding the sale of government securities on behalf of a customer.

- In May 2012, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on ICICI Securities Primary Dealership in connection with an operational error regarding the sale of government securities.

- In October 2012, the Reserve Bank of India imposed a penalty of Rs. 3.0 million on ICICI Bank for non-compliance with the Know Your Customer directions issued by Reserve Bank of India.

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- In December 2012, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on ICICI Securities Primary Dealership in connection with an operational error regarding the sale of government securities.

- In June 2013, the Reserve Bank of India imposed a penalty of Rs. 10.0 million on ICICI Bank, along with penalties on other banks in India, pursuant to its investigation following a sting operation by a news website on branches of Indian banks and insurance companies.

- In September 2013, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 0.5 million on ICICI Lombard General Insurance Company Limited, along with penalties on other general insurers in India, for not meeting the mandatory target in respect of declined risk pool for fiscal 2013.

- In July 2014, the Reserve Bank of India imposed a penalty on 12 Indian banks including us following its scrutiny of the loan and current accounts of one corporate borrower with these banks. The penalty imposed on us was Rs. 4.0 million.

- In October 2014, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 5.0 million on ICICI Lombard General Insurance Company Limited following the onsite inspection conducted in August 2010 on market conduct and financial condition of the company.

- In December 2014, the Reserve Bank of India imposed penalties on two Indian banks, including us, for non-compliance with the Know Your Customer/Anti Money Laundering directions/guidelines issued by the Reserve Bank of India in respect of fraudulent opening of fictitious accounts with certain banks. The penalty imposed on us was Rs. 5.0 million.

- In February 2015, a penalty was imposed on several banks including ICICI Bank by the Financial Intelligence Unit, India for failure in reporting of attempted suspicious transactions, with respect to the incidents concerning the media sting operation in June 2013. The Bank was levied a penalty of Rs. 1.4 million which we had paid and filed an appeal against the penalty with the Appellate Tribunal. In June 2017, the Appellate Tribunal ruled that the penalty was not sustainable. The Tribunal asked the appellant banks to be careful and report such matters in future. See also "Business—*Risk Management—Anti-Money Laundering Controls*".

- In September 2015, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 1 million on ICICI Lombard General Insurance Company after an on-site inspection on Government sponsored schemes conducted during February, 2014.

- In October 2015, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 0.5 million on ICICI Prudential Life Insurance Company for payments made directly to employees of outsourced entity over and above agreed contract terms and conditions.

In March 2017, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 2.0 million on ICICI Prudential Life Insurance Company Limited for non-compliance with certain regulations/guidelines issued by the Insurance Regulatory and Development Authority towards marketing support fees and expenses, payouts to corporate agents and rewards and recognition programs for distribution partners.

See also *“Risk Factors—Risks Relating to our Business—We are involved in various litigations. Any final judgment awarding material damages against us could have a material adverse impact on our future financial performance and our stockholders’ equity” and “Risk Factors—Risks Relating to our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment”*.

At year-end fiscal 2017, our contingent tax liability was assessed at an aggregate of Rs. 51.0 billion, mainly pertaining to income tax, service tax and sales tax/value added tax demands by the government of India’s tax authorities for past years. We have appealed against each of these tax demands. The tax related inquiries are not included in contingent liabilities as we believe that such proceedings are likely to be dropped by the tax authorities or will not be upheld by judicial authorities. Based on consultation with counsel and favorable decisions in our own and other similar cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their tax assessments and, accordingly, we have not provided for these tax demands at year-end fiscal 2017. Disputed tax issues that are classified as remote are not disclosed as contingent liabilities by us.

Of the contingent tax liability of Rs. 51.0 billion:

- Rs. 3.2 billion relates to sales tax/value added tax assessment mainly pertaining to value added tax on disposal of repossessed assets, tax on interstate/import leases by various state government authorities in respect of lease transactions entered into by the Bank, and bullion-related matters, where we are relying on favorable opinions from counsel. Of the total demand, Rs. 1.3 billion pertains to value added tax on disposal of repossessed assets where we are relying on a favorable opinion from counsel confirming that we only facilitate the disposal of repossessed assets for recovery of its loan from the borrower and cannot be regarded as a seller of repossessed assets. The other disputed issues mainly pertain to tax on inter-state/import leases by various state government authorities in respect of lease transactions entered into by the Bank and bullion related matters pertaining to procedural issues like submission of statutory forms.

- Rs. 6.0 billion is in respect of service tax matters. Of the total demand, Rs. 3.0 billion pertains to the Bank mainly relating to interest charged on liquidity facilities provided to trusts holding securitized loan portfolios, inter-change fee received by the Bank as an issuing bank on card transactions, amount received as subvention income from dealer/manufacture in lieu of interest forgone by the Bank, amount paid as foreign bank charges in case of import and export transactions and disallowance of input credit availed for service tax on insurance premium along with penalty thereon, Rs. 1.5 billion pertains to our life insurance subsidiary for levy of service tax on surrender/foreclosure charges under unit linked insurance plans/life insurance plans, Rs. 1.0 billion pertains to venture capital funds in respect of retention of contribution received by the fund being treated as fees received in lieu of management services rendered by them, and Rs. 0.2 billion pertains to ICICI Venture Funds Management Company Limited for levy of service tax on the income received from investment in venture capital units, by treating the same as performance fees received. The balance amount of Rs. 0.3 billion pertains to other entities. The group believes that the tax authorities are not likely to be able to substantiate the above tax demands.

- Rs. 41.8 billion relates to appeals filed by us or the tax authorities with respect to assessments mainly pertaining to income tax, and interest tax, where we are relying on favorable precedent decisions of the appellate court and expert opinions. The key disputed liabilities are:

- Rs. 16.7 billion relates to whether interest expenses can be attributed to earning tax-exempt income. We believe that no interest can be allocated as there are no borrowings earmarked for investments in shares/tax free bonds and our interest free funds are sufficient to cover investments in the underlying tax free securities. The group has relied on favorable opinion from counsel and favorable appellate decisions in similar cases;

- Rs. 14.2 billion relates to the disallowance of mark-to-market losses on derivative transactions treated by the tax authorities as notional losses. The group has relied on favorable opinion from counsel and favorable appellate decisions in similar cases, which had allowed the deduction of mark-to-market losses from business income;

- Rs. 3.7 billion relates to the disallowance of depreciation claims on leased assets by the tax authorities, by treating the lease transactions as loan transactions. The group has relied on a favorable opinion from counsel and favorable appellate decisions in the Bank's own case and other similar cases; and

- Rs. 1.5 billion relates to taxability of amounts withdrawn from the special reserve. ICICI had maintained two special reserve accounts, which includes special reserve created up to assessment year 1997-98. Withdrawals from the account were assessed as taxable by the tax authorities for the assessment years 1998-99 to 2000-01. We have received favorable orders in respect of the assessment year 1998-1999 to 2000-2001 but the income tax department has appealed against the favorable orders for assessment year 1998-1999 and 1999-2000 and would be appealing against the favourable order for assessment year 2000-01.

- Rs. 0.9 billion relates to the disallowance of broken period interest paid on purchase of government securities considering it as capital in nature since the same have been classified under held-to-maturity category by us. The Group has relied on favorable appellate decisions in Bank's own case and other similar cases.

Based on judicial precedents in our own and other cases, and upon consultation with tax counsel, management believes that it is more likely than not that our tax position will be sustained. Accordingly, no provision has been made in the accounts.

The above contingent liability does not include Rs. 53.1 billion, considered as remote. Of the total disputed tax demands classified as remote, Rs. 45.9 billion mainly pertains to the deduction of bad debts and levy of penalties, which are covered by favorable Supreme Court of India decisions in other cases and Rs. 2.3 billion pertains to short credit of taxes paid. Therefore, they are not required to be disclosed as contingent liability. The balance of Rs. 4.9 billion pertains to disputed tax liability of our life insurance subsidiary primarily due to non-allowance of set-off of brought forward business loss by the assessing officer against the shareholders' income, which has been considered as income from other sources by the tax authorities. The same is considered as remote on the basis of favorable income tax appellate decisions in our life insurance subsidiary's own case. The consequence of inquiries initiated by the tax authorities are not quantified, as we believe that such proceedings are likely to be dropped by the tax authorities or will not be upheld by judicial authorities.

A number of litigations and claims against ICICI Bank and its directors are pending in various forums. The claims on ICICI Bank mainly arise in connection with civil cases involving allegations of service deficiencies, property or labor disputes, fraudulent transactions, economic offences and other cases filed in the normal course of business. We are also subject to counterclaims arising in connection with our enforcement of contracts and loans. A provision is created where an unfavorable outcome is deemed probable and in respect of which a reliable estimate can be made. In view of the inherent unpredictability of litigation and for cases where the claim amount sought is substantial, the actual cost of resolving litigations may be substantially different from the provision held.

We held a total provision of Rs. 311.2 million at year-end fiscal 2017 for 401 cases with claims totaling to approximately Rs. 1,146.7 million, where an unfavorable outcome was deemed probable and in respect of which a reliable estimate could be made.

For cases where an unfavorable outcome is deemed to be reasonably possible but not probable, the amount of claims is included in contingent liabilities. At year-end fiscal 2017, such claims amounted to a total of Rs. 623.9 million relating to 110 cases. It was not possible to estimate the possible loss or range of possible losses for these cases due to the nature of the cases and other external factors. For cases where the possibility of an unfavorable outcome is deemed remote, we have not made a provision, nor have we included the amount of the claims in these cases in contingent liabilities.

In some instances, civil litigants have named our directors as co-defendants in lawsuits against ICICI Bank. There were 235 such cases at year-end fiscal 2017.

Management believes, based on consultation with counsel, that the claims and counterclaims filed against us in the above legal proceedings are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or liquidity. Based on a review of other litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our financial position, results of operations or cash flows.

At year-end fiscal 2017, there were 63 ongoing litigations (including those where the likelihood of our incurring liability is assessed as “probable”, “possible” and “remote”), each involving a claim of Rs. 10 million or more, with an aggregate amount of approximately Rs. 39.3 billion (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). The following are litigations where the amounts claimed are Rs. 1.0 billion or higher:

- The promoters and promoter group entities of Kingfisher Airlines Limited have filed a suit in the Bombay High Court against 19 lenders who had provided credit facilities to Kingfisher Airlines Limited seeking to declare void the corporate guarantee given by one of the entities to the lenders and restrain the lenders from acting in furtherance of the corporate guarantee as well as a personal guarantee of the promoter and invocation of pledge of shares held by the lenders, and claiming damages of Rs. 32.0 billion from the lenders towards sums invested by the promoter group in Kingfisher Airlines Limited. The Bombay High Court has not granted any interim relief restraining lenders from acting in furtherance of the invocation of pledge. ICICI Bank had assigned its exposure to Kingfisher Airlines Limited to a third party in September 2012 and thereby ceased to be a lender to the company. The cause of action for the suit arose subsequent to that date, and the securities mentioned in the suit were not securities held by ICICI Bank even when it was a lender to the company. Consequently ICICI Bank believes the suit against it is not maintainable and has filed its written statement. The matter is pending before the court.

- In 1999, we filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for the recovery of amounts totaling Rs. 169 million due from Esslon Synthetics Limited. In May 2001, the guarantor filed a counterclaim for an amount of Rs. 1.0 billion against us and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. Esslon Synthetics Limited filed an application to amend the counterclaim in January 2004. We have filed our reply to the application for amendment. The guarantor has also filed an interim application on the grounds that certain documents have not been exhibited, to which we have filed our reply stating that the required documents are neither relevant nor necessary for adjudicating the dispute between the parties. In the meantime, the Industrial Development Bank of India has challenged the order of the Debt Recovery Tribunal, Delhi, whereby the Debt Recovery Tribunal allowed LML Limited to be included in the list of parties. The Debt Recovery Appellate Tribunal, Delhi has passed an interim stay order against the Debt Recovery Tribunal proceedings. In the liquidation proceeding before the High Court at Allahabad, the official liquidator attached to the Allahabad High Court sold the assets of Esslon Synthetics for Rs. 61 million in November 2002. We have filed our claim with the official liquidator attached to the Allahabad High Court for our dues. The official liquidator has informed us that the claim of the Bank has been allowed and that the amount payable to the Bank is Rs. 12 million. We have filed an affidavit before the official liquidator for disbursement of the amount and the official liquidator has released Rs. 9 million to the Bank and the balance amount will be disbursed after finalization of amounts due to the employees of Esslon Synthetics by the company court. Further, the guarantor has filed an insolvency proceeding before the insolvency court which is currently being opposed by the lenders including ICICI Bank. The matter is pending.

- Certain investors of a real estate investment fund, registered in Mauritius, which is an investor in a real estate fund in India managed by ICICI Venture Funds Management Company Limited, a wholly owned subsidiary of ICICI Bank, have filed a petition in the Supreme Court of Mauritius against ICICI Venture Funds Management Company, the trustee and administrators of the fund and ICICI Bank alleging mis-selling and mismanagement of the Fund, and have claimed damages of US$ 103.6 million. All the respondents to the petition, including the Bank and its subsidiary, have denied and rebutted the allegations and countered the petition. The preliminary objections raised by the respondents with respect to jurisdiction, maintainability, procedural errors in the petition etc. are yet to be disposed of.

In addition, we have experienced rapid international expansion into banking in multiple jurisdictions which exposes us to a new variety of regulatory and business challenges and risks, including cross-cultural risk, and which increased the complexity of our risks in a number of areas including currency risks, interest rate risks, compliance risk, regulatory risk, reputational risk and operational risk. As a result of this rapid growth and increased complexity, we or our employees may be subject to regulatory investigations or enforcement proceedings in multiple jurisdictions in a variety of contexts. Despite our best efforts at regulatory compliance and internal controls, we, or our employees, may from time to time, and as is common in the financial services industry, be the subject of confidential examinations or investigations that might, or might not, lead to proceedings against us or our employees. In any such situation it would be our policy to conduct an internal investigation, co-operate with the regulatory authorities and, where appropriate, suspend or discipline employees, including terminating their services.

We cannot predict the timing or form of any future regulatory or law enforcement initiatives, which we note are increasingly common for international banks, but we would expect to co-operate with any such regulatory investigation or proceeding.

American Depository Receipt Fees and Payments

Fees and Charges Payable by Holders of our ADSs

The fees and charges payable by holders of our ADSs include the following:

i) a fee not in excess of US$ 0.05 per ADS is charged for each issuance of ADSs including issuances resulting from distributions of shares, share dividends, share splits, bonuses and rights distributions;

ii) a fee not in excess of US$ 0.05 per ADS is charged for each surrender of ADSs in exchange for the underlying deposited securities;

iii) a fee for the distribution of the deposited securities pursuant to the deposit agreement, such fee being an amount equal to the fee for the execution and delivery of ADSs referred to in item (i) above which would have been charged as a result of the deposit of such securities, but which securities were instead distributed by the depositary, Deutsche Bank Trust Company Americas, to ADR holders.

Additionally, under the terms of our deposit agreement, the depositary is entitled to charge each registered holder the following:

i) taxes and other governmental charges incurred by the depositary or the custodian on any ADS or an equity share underlying an ADS including any applicable penalties thereon;

ii) transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities, including those of a central depository for securities (where applicable);

iii) any cable, telex, facsimile transmission and delivery expenses incurred by the depositary; and

iv) customary expenses incurred by the depositary in the conversion of foreign currency, including, without limitation, expenses incurred on behalf of registered holders in connection with compliance with foreign exchange control restrictions and other applicable regulatory requirements, together with all expenses, transfer and registration fees, taxes, duties, governmental or other charges payable by the Depositary.

In the case of cash distributions, fees, if applicable, are generally deducted from the cash being distributed. Other fees may be collected from holders of ADSs in a manner determined by the depositary with respect to ADSs registered in the name of investors (whether certificated or in book-entry form) and ADSs held in brokerage and custodian accounts (via DTC). In the case of distributions other than cash (i.e., stock dividends, etc.), the depositary charges the applicable ADS record date holder concurrently with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in book-entry form), the depositary sends invoices to the applicable record date ADS holders.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Bank may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

Fees and Other Payments Made by the Depositary

In fiscal 2012, the Bank entered into an agreement with the Depositary, Deutsche Bank Trust Company Americas, under which the Depositary shall reimburse the Bank for annual expenses incurred by the Bank towards investor relations or other expenses directly related to the ongoing maintenance of the American Depository Receipt program. There are limits on the amount of expenses for which the depository will reimburse the Bank, but the amount of reimbursement available to the Bank is not necessarily tied to the amount of fees the depository collects from investors. Under certain circumstances, including the removal of Deutsche Bank Trust Company Americas as Depositary or termination of the American Depository Receipt program, we are required to repay to Deutsche Bank Trust Company Americas amounts reimbursed in prior periods. During fiscal 2017, the Bank claimed and received a reimbursement of US$325,000 from the Depositary towards expenses already incurred relating to the American Depositary Receipt Program.

Selected Consolidated Financial and Operating Data

The following discussion and tables are based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements included in this annual report. For selected financial data in accordance with U.S. GAAP, see "Selected U.S. GAAP Financial Data".

Certain re-classifications have been made in the financial statements for prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP, including the Accounting Standards issued by the Institute of Chartered Accountants of India and guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to ICICI Bank and specific subsidiaries and joint ventures.

The consolidated financial statements for fiscal 2013 and 2014 were audited by S.R. Batliboi & Co. LLP, Chartered Accountants, and for fiscal 2015 through 2017 by B S R & Co. LLP, Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India. The consolidated financial statements for fiscal 2013 through 2017 have also been audited by KPMG, an independent registered public accounting firm in India, in accordance with the auditing standards of the United States Public Company Accounting Oversight Board. Our published Indian GAAP consolidated financial statements and disclosures relating to U.S. GAAP net income reconciliation and stockholders' equity reconciliation as required by U.S Securities and Exchange Commission and applicable GAAP, audited by KPMG, are set forth at the end of this annual report.

Our annual report, prepared and distributed to our shareholders under Indian law and regulations, includes consolidated as well as unconsolidated Indian GAAP financial statements and analysis of our results of operations and financial condition based on unconsolidated Indian GAAP financial statements.

You should read the following data with the more detailed information contained in "Operating and Financial Review and Prospects" and our consolidated financial statements. Historical results do not necessarily predict our results in the future.

Operating Results Data

The following table sets forth, for the periods indicated, our operating results data.

	Year ended March 31,					
	2013	2014	2015	2016	2017	2017[(1)]
	(in millions, except per common share data)					
Selected income statement data:						
Interest income[(2)]	Rs.448,846	Rs.494,792	Rs.549,640	Rs.592,937	Rs.609,399	US$9,397
Interest expense	(282,854)	(297,106)	(323,182)	(339,965)	(348,358)	(5,372)
Net interest income	165,992	197,686	226,458	252,972	261,041	4,025
Non-interest income	293,198	300,846	352,523	421,021	524,577	8,089
Net total income	459,190	498,532	578,981	673,993	785,618	12,114
Non-interest expenses						
Depreciation on leased assets	(328)	(317)	(351)	(192)	(0) [(3)]	(0) [(3)]
Expenses pertaining to insurance business	(173,517)	(162,367)	(191,640)	(232,710)	(276,982)	(4,271)
Other operating expenses[(4)]	(128,225)	(143,979)	(158,237)	(174,993)	(204,718)	(3,157)
Total non-interest expenses	(302,070)	(306,663)	(350,228)	(407,895)	(481,700)	(7,428)
Operating profit before provisions	157,120	191,869	228,753	266,098	303,918	4,686
Provisions and contingencies	(20,952)	(29,003)	(45,363)	(123,054)	(165,825)	(2,557)
Profit before tax	136,168	162,866	183,390	143,044	138,093	2,129
Provision for tax	(34,869)	(46,095)	(53,967)	(33,775)	(24,690)	(380)
Profit after tax	101,299	116,771	129,423	109,269	113,403	1,749
Minority interest	(5,263)	(6,357)	(6,954)	(7,469)	(11,519)	(178)
Net profit	Rs.96,036	Rs.110,414	Rs.122,469	Rs.101,800	Rs.101,884	US$1,571
Per common share:						
Earnings-basic[(5) (9)]	Rs.16.66	Rs.19.13	Rs.21.17	Rs.17.53	Rs.17.51	US$0.27
Earnings-diluted[(6) (9)]	16.57	19.03	20.94	17.41	17.43	0.27
Dividend[(7) (9)]	4.00	4.60	5.00	5.00	2.50	0.04
Book value[(7) (8) (9)]	114.32	130.51	143.11	153.10	169.81	2.62
Equity shares outstanding at the end of the period (in millions of equity shares) [(9)]	5,768	5,774	5,797	5,815	5,824	
Weighted average equity shares outstanding - basic (in millions of equity shares) [(9)]	5,765	5,772	5,786	5,807	5,819	
Weighted average equity shares outstanding – diluted (in millions of equity shares) [(9)]	5,787	5,794	5,842	5,840	5,843	

(1)

Rupee amounts for fiscal 2017 have been translated into U.S. dollars using the exchange rate of Rs. 64.85 = US$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2017.

(2) Interest income includes interest on rupee and foreign currency loans and advances (including bills) and hire purchase receivables and gains/(losses) on sell-down of loans of ICICI Bank. Interest income also includes interest on income tax refunds of Rs. 2.7 billion, Rs. 2.0 billion, Rs. 2.8 billion, Rs. 3.3 billion and Rs. 4.5 billion for fiscal 2013, 2014, 2015, 2016 and 2017 respectively.

(3) Insignificant amount

(4) Includes employee expenses, depreciation on fixed assets and other general office expenses.

(5) Earnings per share is computed based on the weighted average number of shares and represents net profit/(loss) per share before dilutive impact.

(6) Earnings per share is computed based on the weighted average number of shares and represents net profit/(loss) per share adjusted for full dilution. Options to purchase 62,447,200, 73,376,100, 53,612,700, 96,243,300 and 123,655,525 equity shares granted to employees at a weighted average exercise price of Rs. 193.5, Rs. 207.2, Rs. 248.6, Rs. 276.0 and Rs. 268.8 were outstanding at year-end fiscal 2013, 2014, 2015, 2016 and 2017 respectively, but were not included in the computation of diluted earnings per share as these options were anti-dilutive.

(7) In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 4.00 per equity share for fiscal 2013, which was paid in fiscal 2014. We declared a dividend of Rs. 4.60 per equity share for fiscal 2014, which was paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which was paid in fiscal 2016. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which was paid in fiscal 2017. The dividend per equity share is based on the total amount of dividends declared for the year, exclusive of dividend distribution tax. We declared a dividend of Rs. 2.50 per equity share for fiscal 2017, which has been paid in fiscal 2018. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for this dividend in the financial statements for fiscal 2017.

(8) Represents equity share capital, employees' stock options outstanding and reserves and surplus reduced by deferred tax asset and goodwill.

(9) The shareholders of the Bank approved the sub-division of one equity share of Rs. 10 into five equity shares having a face value of Rs. 2 each. The record date for the sub-division was December 5, 2014. Face value and number of shares have been re-stated and related ratios re-computed for all the previous periods presented to reflect the sub-division.

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period. The average balances are the sum of daily average balances outstanding except for the average balances of overseas branches of ICICI Bank which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances.

	Year ended March 31,				
	2013	2014	2015	2016	2017
Selected income statement data:					
Interest income	7.01 %	7.03 %	7.15 %	6.98 %	6.51 %
Interest expense	(4.42)	(4.22)	(4.20)	(4.00)	(3.72)
Net interest income	2.59	2.81	2.95	2.98	2.79
Non-interest income	4.59	4.28	4.58	4.96	5.60
Total income	7.18	7.09	7.53	7.94	8.39
Depreciation on leased assets	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
Expenses pertaining to insurance business	(2.71)	(2.31)	(2.49)	(2.74)	(2.96)
Other operating expenses	(2.00)	(2.05)	(2.06)	(2.06)	(2.19)
Non-interest expenses	(4.72)	(4.36)	(4.55)	(4.80)	(5.15)
Operating profit before provisions	2.46	2.73	2.98	3.14	3.24
Provisions and contingencies	(0.33)	(0.41)	(0.59)	(1.45)	(1.77)
Profit before tax	2.13	2.32	2.39	1.69	1.47
Provision for tax	(0.55)	(0.66)	(0.71)	(0.40)	(0.26)
Profit after tax	1.58	1.66	1.68	1.29	1.21
Minority interest	(0.08)	(0.09)	(0.09)	(0.09)	(0.12)
Net profit	1.50 %	1.57 %	1.59 %	1.20 %	1.09 %

The following table sets forth, for the periods indicated, our selected financial data.

	At or for the year ended March 31,					
	2013	2014	2015	2016	2017	**2017[(1)]**
	(in millions, except percentages)					
Selected balance sheet data:						
Total assets	Rs. 6,749,830	Rs. 7,477,624	Rs. 8,260,792	Rs. 9,187,562	Rs. 9,860,427	US$ 152,050
Investments[(2)]	2,354,684	2,427,901	2,743,108	2,860,441	3,045,017	46,955
Advances, net	3,299,741	3,873,418	4,384,901	4,937,291	5,153,173	79,463
Non-performing customer assets (gross)	107,165	122,994	173,870	293,216	458,861	7,076
Total liabilities[(5)]	6,062,206	6,713,326	7,413,746	8,246,455	8,814,107	135,915
Deposits	3,147,705	3,595,127	3,859,552	4,510,774	5,125,873	79,042
Borrowings (includes subordinated debt and redeemable non-cumulative preference shares)	1,728,882	1,835,421	2,112,520	2,203,777	1,882,868	29,034
Equity share capital	11,536	11,550	11,597	11,632	11,651	180
Reserves and surplus[(3)]	676,088	752,748	835,449	929,475	1,034,669	15,955
Period average[(4)]:						
Total assets	6,394,436	7,037,002	7,689,402	8,490,942	9,361,464	144,356
Interest-earning assets	5,272,489	5,830,625	6,449,193	7,246,635	7,911,740	122,001
Advances, net	3,149,347	3,589,293	4,049,280	4,672,596	4,996,376	77,045
Total liabilities[(5)]	5,723,133	6,284,987	6,860,592	7,571,180	8,358,741	128,893
Interest-bearing liabilities	4,556,099	4,996,433	5,445,789	6,094,406	6,630,273	102,240
Borrowings	1,656,860	1,820,630	1,906,290	2,153,911	2,132,099	32,877
Stockholders' equity	671,303	752,016	828,810	919,753	1,002,723	15,462
Profitability:						
Net profit as a percentage of:						
Average total assets	1.50 %	1.57 %	1.59 %	1.20 %	1.09 %	
Average stockholders' equity	14.31	14.68	14.78	11.07	10.16	
Average stockholders' equity (including	14.23	14.61	14.71	11.03	10.13	

preference share capital)										
Dividend payout ratio(6)	24.02		24.06		23.67		28.56		14.31	
Spread(7)	2.35		2.58		2.63		2.64		2.48	
Net interest margin(8)	3.20		3.44		3.55		3.52		3.33	
Cost-to-income ratio(9)	65.78		61.51		60.49		60.52		61.31	
Cost-to-average assets ratio(10)	4.72		4.36		4.55		4.80		5.15	
Capital(11):										
Average stockholders' equity as a percentage of average total assets	10.50	%	10.69	%	10.78	%	10.83	%	10.71	%
Average stockholders' equity (including preference share capital) as a percentage of average total assets	10.55	%	10.74	%	10.82	%	10.87	%	10.75	%
Asset quality:										
Net restructured assets as a percentage of net customer assets	1.58	%	2.70	%	2.41	%	1.64	%	0.84	%
Net non-performing assets as a percentage of net customer assets(12)	0.74	%	0.99	%	1.54	%	2.66	%	4.73	%
Provision on restructured assets as a percentage of gross restructured assets	7.87	%	8.42	%	7.23	%	7.68	%	5.92	%
Provision on non-performing assets as a percentage of gross non-performing assets	72.80	%	63.72	%	55.59	%	49.60	%	41.09	%
Provision as a percentage of gross customer assets(13)	2.63	%	2.47	%	2.89	%	3.36	%	3.86	%

(1) Rupee amounts at year-end fiscal 2016 have been translated into U.S. dollars using the exchange rate of Rs. 64.85 = US$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2017.

(2) In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits have been re-grouped to Other Assets. Accordingly, figures of all the previous periods presented have been re-grouped to conform to the current year presentation.

(3) Includes balance in employee stock options outstanding which will be transferred to “Equity share capital” or “Reserves and surplus” on exercise/lapse of options.

(4) The average balances are the sum of daily average balances outstanding except for the average balances of overseas branches of ICICI Bank which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances.

(5) Includes preference share capital and minority interest, but does not include stockholders’ equity.

(6) Represents the ratio of total dividends paid on equity share capital, exclusive of dividend tax, as a percentage of net profit.

(7) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(8) Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

(9) Represents the ratio of non-interest expenses to total income. Total income represents the sum of net interest income and non-interest income.

(10) Represents the ratio of non-interest expenses to average total assets.

(11) The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India’s guidelines on Basel III, at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.7%; Tier 1 risk-based capital ratio of 14.4%; and total risk-based capital ratio of 17.4%. Our capital adequacy

ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.8%; Tier 1 risk-based capital ratio of 14.4%; and total risk-based capital ratio of 17.3%.

(12) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

(13) Includes general provision on standard assets.

(14) Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

Selected U.S. GAAP Financial Data

The following table sets forth, certain selected financial data under generally accepted accounting principles adopted in the United States.

	At or for the year ended March 31,					
	2013	2014	2015	2016	2017	**2017[(1)]**
	(in millions other than per equity share))					
Total income[(2)]	Rs. 245,463	Rs. 274,705	Rs. 319,924	Rs. 371,339	Rs. 436,639	US$ 6,733
Net income/(loss) attributable to ICICI Bank's stockholders'	101,052	101,421	116,913	73,037	62,399	962
Total assets	5,860,331	6,485,471	7,130,592	7,867,628	8,246,572	127,164
ICICI Bank's stockholders' equity	736,566	801,882	938,253	981,675	1,034,759	15,956
Other comprehensive income/(loss)	14,431	2,157	46,436	44,486	63,305	976
Per equity share[(3)]						
Net income/(loss) from continuing operation-basic[(4)]	15.92	15.96	18.36	11.43	9.75	0.15
Net income/(loss) from continuing operation-diluted[(5)]	15.84	15.89	18.21	11.36	9.70	0.15
Dividend[(6)]	3.30	4.00	4.60	5.00	2.50	0.04

(1) Rupee amounts for fiscal 2017 have been translated into U.S. dollars using the exchange rate of Rs. 64.85 = US$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2017.

(2) Represents net interest income plus non-interest income.

(3) The Bank has issued one bonus equity share for every 10 issued equity shares in June, 2017. Without adjusting for this issue:

a. The basic earnings per share would have been Rs. 10.72 for fiscal 2017, Rs. 12.58 for fiscal 2016, Rs. 20.21 for fiscal 2015, Rs. 17.57 for fiscal 2014 and Rs. 17.53 for fiscal 2013.

b. The diluted earnings per share would have been Rs. 10.68 for fiscal 2017, Rs. 12.50 for fiscal 2016, Rs. 20.05 for fiscal 2015, Rs. 17.50 for fiscal 2014 and Rs. 17.44 for fiscal 2013.

(4) Represents net income/(loss) before dilutive impact.

(5)

Represents net income/(loss) adjusted for full dilution. Options to purchase 68,691,920, 80,713,710, 58,973,970, 105,867,630 and 136,021,078 equity shares granted to employees at a weighted average exercise price of Rs. 175.9, Rs. 188.4, Rs. 226.0, Rs. 250.9 and Rs. 244.4 were outstanding at year-end fiscal 2013, 2014, 2015, 2016 and 2017 respectively, but were not included in the computation of diluted earnings per share as these options were anti-dilutive.

(6) In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 4.00 per equity share for fiscal 2013, which was paid in fiscal 2014. We declared a dividend of Rs. 4.60 per equity share for fiscal 2014, which was paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which was paid in fiscal 2016. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which was paid in fiscal 2017. The dividend per equity share is based on the total amount of dividends paid during the year, exclusive of dividend tax. We declared a dividend of Rs. 2.50 per equity share for fiscal 2017, which has been paid in fiscal 2018. Pursuant to amendment in Accounting Standard, AS 4 - ‘Contingencies and events occurring after balance sheet date’, the Bank has not accounted for this dividend in the financial statements for fiscal 2017.

(7) Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

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Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements. The following discussion is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP, which varies in certain significant respects from U.S. GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional U.S. GAAP information, see notes 20 and 21 to our consolidated financial statements included herein.

Executive Summary

Introduction

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India in terms of total assets on a consolidated basis. Apart from banking products and services, we offer life and general insurance, asset management, securities broking and private equity products and services through specialized subsidiaries. Our total assets at year-end fiscal 2017 were Rs. 9,860.4 billion. Our consolidated capital and reserves at year-end fiscal 2017 were Rs. 1,046.3 billion and our consolidated net profit for fiscal 2017 was Rs. 101.9 billion.

Our primary business consists of commercial banking operations for retail and corporate customers. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of insurance and investment products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, internet, mobile phones and social media. We had a network of 4,850 branches and 13,882 ATMs in India at year-end fiscal 2017. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. We also offer agricultural and rural banking products. We earn interest and fee income from our commercial banking operations.

In our international banking operations, our primary focus is on offering products and services to persons of Indian origin, Indian businesses, select local businesses and multi-national corporations and insured mortgage products in our Canada subsidiary as well as offering deposit products to the larger community. ICICI Bank's overseas branches take deposits, raise borrowings and make loans to Indian companies for their overseas operations as well as for their foreign currency requirements in India, global multi-national corporations and to local corporations in their jurisdiction. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have banking subsidiaries in the United Kingdom and Canada, branches in China, Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, Qatar Financial Centre, the United States, South Africa and Bahrain and representative offices in the United Arab Emirates, Bangladesh, Malaysia and Indonesia. Our subsidiary in the United Kingdom has established a branch in each of Antwerp, Belgium and Frankfurt, Germany.

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

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company in India during fiscal 2017, with a market share of 12.0% based on new business written (on a retail weighted received premium basis) according to the Life Insurance Council. During fiscal 2017, ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited, following the sale of 12.63% out of the shares held by ICICI Bank through an offer for sale in an initial public offering. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during fiscal 2017, with a market share of 8.4% on a gross direct premium income basis according to the General Insurance Council of India. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2017 according to Association of Mutual Funds in India. We cross-sell the products of our insurance and asset management subsidiaries and other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities owns icicidirect.com, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has an operating subsidiary in the United States, ICICI Securities Inc., engaged in brokerage services. Our private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that make private equity investments.

Business environment

Our loan portfolio, financial condition and results of operations have been and, in the future, are expected to be influenced by economic conditions in India, global economic developments affecting the business activities of our corporate customers, such as changes in commodity prices, conditions in global financial markets, economic conditions in the United States and in foreign countries where we have a significant presence or which impact the Indian economy and global markets, and evolving global and domestic regulations. For ease of understanding the following discussion of our results of operations, you should consider these macroeconomic factors and other key developments.

Trends in fiscal 2017

Global economic growth slowed to 3.1% during calendar year 2016, with moderation in both advanced as well as emerging economies. The US Federal Reserve increased policy rates towards the end of calendar year 2016, and again in March 2017, while the monetary policy stance remained accommodative in most other economies. Commodity prices, which had declined sharply in calendar year 2015, partially recovered during calendar year 2016, particularly those of crude oil and metals. Global trade showed an improvement towards the later part of the year, partly led by the rise in commodity prices.

In India, fiscal year 2017 witnessed a number of major policy initiatives:

- In May 2016, the Insolvency and Bankruptcy Code, 2016 was enacted providing an institutional framework for recovery and resolution, and protection for investors and creditors.
- A six-member Monetary Policy Committee comprising members from the Reserve Bank of India and the Government was constituted, with responsibility for monetary policy decision making.
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On November 8, 2016, the Government of India demonetized Rs. 1,000 and Rs. 500 denomination currency notes as legal tender and introduced new Rs. 500 and Rs. 2,000 denomination currency notes. The extant Rs. 500 and Rs. 1,000 denominated currency notes accounted for approximately Rs. 15.00 trillion or approximately 86.0% of the total currency in circulation. This step was taken with the aim to curb the parallel economy, eliminate the use of counterfeit notes and encourage a shift to digital transaction modes.

- Fiscal policy was reformed with the merger of the Railway Budget with the Union Budget and removing the categorization of expenditure into plan and non-plan. Foreign investment policies were further liberalized, and the dissolution of the Foreign Investment Promotion Board was announced.

- Legislation relating to the Goods and Services Tax was enacted, paving the way for its implementation in fiscal 2018. The Goods and Services Tax is a unified single tax replacing the various indirect taxes on goods and services such as central excise duty, service tax, additional customs duty, central sales tax and state value added tax currently being collected by the central and state governments.

India's gross domestic product grew by 7.1% year-on-year during fiscal 2017 compared to a growth of 8.0% during fiscal 2016. As per industry-wise growth estimates on gross value added basis, the agriculture sector grew by 4.9%, the industrial sector by 5.6% and the services sector by 7.7% during fiscal 2017 compared to 0.7%, 8.8% and 9.7% respectively during fiscal 2016.

Retail inflation, as measured by the Consumer Price Index, eased from 4.8% in March 2016 to 3.9% in March 2017. Core consumer price index inflation, excluding food and fuel products, increased from 4.7% in March 2016 to 4.9% in March 2017. The wholesale price index ended fiscal 2017 with an increase of 5.3% year-on-year in March 2017, as compared to a contraction during fiscal 2016. The average wholesale price index inflation during fiscal 2017 was 1.7% compared to a decline of 3.7% during fiscal 2016.

The repo rate was reduced by 50 basis points during fiscal 2017 with a 25 basis points reduction from 6.75% to 6.50% in April 2016 and another 25 basis points reduction to 6.25% in October 2016. This took the cumulative reduction in the repo rate since January 2015, when the policy rate reduction cycle began, to 175 basis points. However, in the subsequent policy announcements during the year, the repo rate was kept unchanged and the policy stance was changed from accommodative to neutral in February 2017 due to concerns on inflation exceeding the articulated target band of 4% (+/- 2%) going forward.

Trends in merchandise trade remained muted for most of fiscal 2017 but picked up during the latter part of the year. Exports grew by 5.4% and imports by 0.5% year-on-year during fiscal 2017 compared to a decline of 15.5% and 15.0% respectively during fiscal 2016. The improvement in trade primarily reflected the pickup in global commodity prices and improvement in global trade flows. India's current account deficit narrowed to 0.7% of gross domestic product during fiscal 2017, compared to 1.1% of gross domestic product during fiscal 2016. Foreign direct investment inflows were at US$ 42.2 billion during fiscal 2017 compared to inflows of US$ 44.9 billion during fiscal 2016. There was a net inflow of investments by foreign portfolio investors of US$ 7.8 billion during fiscal 2017, with a net inflow of US$ 8.6 billion in equity markets and a net outflow of US$ 0.8 billion in debt markets. The equity market benchmark S&P BSE Sensex increased by 16.9% during fiscal 2017 to close at 29,621. The Rupee appreciated from Rs. 66.3 per U.S. dollar at year-end fiscal 2016 to Rs. 64.9 per U.S. dollar at year-end fiscal 2017. Yields on the benchmark 10-year Government securities remained in the range of 7.0% to 7.5% during April-October 2016. Yields fell significantly following the withdrawal of legal tender status of high denomination currency notes to around 6.2% in November 2016, but thereafter increased to 6.7% at March 31, 2017.

In the banking sector, there was an increase in deposits following the withdrawal of legal tender status of high denomination currency notes in November 2016. There was a net increase of Rs. 8.20 trillion in deposits in the banking system from November 2016 to March 2017. Total deposit growth, which was in the range of 9.0-10.0% year-on-year for most part of April-October 2016, increased to over 15.0% year-on-year in November 2016 and subsequently moderated to 11.8% year-on-year at March 31, 2017, as compared to a growth of 9.1% year-on-year at April 1, 2016. Demand deposits grew by 20.1% year-on-year at March 31, 2017 compared to a 14.4% year-on-year growth at April 1, 2016. Time deposits grew by 10.7% year-on-year at March 31, 2017 compared to an 8.5% year-on-year growth at April 1, 2016. Credit growth, however, remained muted. Non-food credit, which grew in the range of 9.0-11.0% year-on-year during April-October 2016, moderated further from November 2016 and grew by 5.8% year-on-year at March 31, 2017 compared to 9.9% year-on-year at April 1, 2016. The banking system continued to experience stress on corporate asset quality due to low profitability, the slowdown in economic growth particularly in industrial and services sectors and subdued investment activity. The process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans. The gross non-performing ratio in the Indian banking industry increased from 7.8% at March 31, 2016 to 9.6% at March 31, 2017. Total stressed loans (including standard restructured advances) increased from 11.7% at March 31, 2016 to 12.0% at March 31, 2017.

During the year, digital financial transactions received impetus through the launch of new payment applications including the Unified Payment Interface, a payment platform which allows instant fund transfer to any bank account using a virtual payment address and without requiring bank account details, the Bharat Interface for Money a mobile application built using the Unified Payment Interface and the Aadhaar-Enabled Payment System which enables banking transactions using authentication based on Aadhaar, India's unique identification number. Transactions using the Unified Payment Interface, including Bharat Interface for Money, were Rs. 69.5 billion in the first year of its launch in fiscal 2017.

The sharp increase in deposit growth compared to credit growth led to an increase in liquidity in the banking system during the third and fourth quarter of fiscal 2017. In line with the Reserve Bank of India's articulated objective of maintaining system liquidity at near neutrality, the liquidity in the system just prior to the withdrawal of high denomination currency notes was at a deficit of Rs. 350.0 billion at November 8, 2016. Subsequently, liquidity increased significantly and crossed Rs. 5.0 trillion in a span of two weeks. In order to absorb surplus liquidity, as a temporary measure the Reserve Bank of India announced an incremental cash reserve ratio of 100.0% of the increase in net demand and time liabilities between September 16, 2016 and November 11, 2016 effective the fortnight beginning November 26, 2016. Later, to facilitate liquidity management operations by the Reserve Bank of India, the Government of India on December 2, 2016, revised the ceiling for issue of securities under the Market Stabilization Scheme to Rs. 6.00 trillion. Subsequently, on December 7, 2016, the Reserve Bank of India withdrew the incremental cash reserve ratio requirement effective the fortnight beginning December 10, 2016. During the three months ended March 31, 2017, the Reserve Bank of India adopted reverse repo transactions and issuance of securities under the Market Stabilization Scheme to absorb the surplus liquidity in the system. However, liquidity remained high with an average daily liquidity surplus of Rs. 5.93 trillion during the three months ended March 31, 2017, compared to an average daily liquidity surplus of Rs. 2.24 trillion during the three months ended December 31, 2016. In the monetary policy announced in April 2017, the Reserve Bank of India narrowed the policy rate corridor from +/- 50 basis points to +/- 25 basis points. Accordingly, the reverse repo rate and the marginal standing facility rate were revised by 25 basis points lower/higher than the repo rate to 6.0% and 6.5% respectively. Further, the Reserve Bank of India has proposed the introduction of a Standing Deposit Facility that will eliminate the requirement of collateral for absorbing liquidity.

Following the withdrawal of legal tender status of high denomination currency notes, several short-term measures were announced by the Reserve Bank of India. From time to time, guidelines were issued with regard to limits on exchange of the specified currency notes and cash withdrawal limits from ATMs and bank accounts. Banks also proactively initiated steps like waiving merchant discount rates and transaction related charges during the period. The key regulations announced by the Reserve Bank of India during this period were:

- Banks were directed to waive levy of ATM charges for all transactions of savings account customers, including both financial and non-financial transactions, and irrespective of the number of transactions at own or at other banks' ATMs. The waiver was applicable from November 10, 2016 to December 30, 2016.

- In order to facilitate wider acceptance of digital transactions, temporary measures were introduced such as reduction in the merchant discount rate for debit card transactions up to Rs. 2,000 and waiver of charges on transactions settled on payment channels like Immediate Payment Service (IMPS), unstructured supplementary service data (USSD) based mobile banking services and Unified Payment Interface systems for transactions up to Rs. 1,000. These measures were effective from January 1, 2017 to March 31, 2017.

- While limits on cash withdrawals and waiver of ATM charges were discontinued from March 31, 2017, the Reserve Bank of India decided to continue the special merchant discount rates till issuance of final instructions. Meanwhile, the Government of India decided to absorb merchant discount rates for debit card transactions for tax and non-tax bill payments to the government. This was effective from January 1, 2017, with reimbursement on a quarterly basis. Further, in February 2017, the Reserve Bank of India released a draft circular on rationalization of merchant discount rate for debit card transactions. The Reserve Bank of India has proposed to restructure the merchant discount rate based on merchant turnover rather than slab-rates based on transaction value.

- In November 2016, the Reserve Bank of India extended the period for recognizing a loan account as sub-standard by an additional 60 days. The guideline was applicable to working capital accounts, agriculture, housing and term loans up to Rs. 10 million. Further, in December 2016, this benefit was extended by another 30 days, over and above the earlier period of 60 days, in case of working capital accounts, agriculture loans and term loans for business purposes of up to Rs. 10 million.

- Banks were permitted to provide additional working capital limits to borrowers in the micro and small enterprise segment to overcome the difficulties arising from withdrawal of legal tender status of high denomination currency notes by the government of India in November 2016. This was a one-time measure permitted up to March 31, 2017.

The first year retail premium underwritten in the life insurance sector (on weighted received premium basis) grew by 20.7% from Rs. 440.8 billion during fiscal 2016 to Rs. 532.2 billion during fiscal 2017. Gross direct premium income of the general insurance sector grew by 32.4% from Rs. 963.8 billion during fiscal 2016 to Rs. 1,276.3 billion during fiscal 2017. The average assets under management of mutual funds increased by 35.2% from Rs. 13,534.4 billion for the three months ended March 31, 2016 to Rs. 18,295.8 billion for the three months ended March 31, 2017.

Other key regulatory developments were:

- In April 2016, the Reserve Bank of India allowed the issuance of priority sector lending certificates and permitted banks to trade their priority sector portfolios by selling/buying these certificates. There will

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be no transfer of risks or loan assets in these transactions. A bank can issue priority sector lending certificates up to 50.0% of the previous year's priority sector lending achievement. The certificates will expire on March 31 and will not be valid beyond the last reporting date for the fiscal. The calculation of priority sector lending would be the sum of the outstanding priority sector lending portfolio and the net priority sector lending certificates purchased.

- In May 2016, the Reserve Bank of India issued a discussion paper proposing limits on the banking system's exposure to large borrowers and higher standard asset provisioning and risk weights on incremental exposures beyond the normally permitted lending limits. Draft guidelines were issued in August 2016 and the final guidelines in December 2016. According to the guidelines, a borrower having an aggregate fund-based credit limit of Rs. 250.0 billion at any time during fiscal 2018 will be considered a large borrower. This limit will be gradually reduced to Rs. 150.0 billion in fiscal 2019 and to Rs. 100.0 billion from fiscal 2020 onwards. The normally permitted lending limit is defined as an amount that is 50.0% of the incremental funds raised over and above the aggregate fund-based credit limit. The general provision required on the incremental exposure above the normally permitted lending limit would be 3.0% and the additional risk weight for such exposure over and above the applicable risk weight would be 75.0%. The framework is applicable from April 1, 2017 with respect to identification of specified borrowers. The disincentive mechanism in terms of additional provisioning and higher risk weights will become applicable from April 1, 2018.

- As an additional measure to strengthen the ability of banks to deal with large stressed assets, in June 2016 the Reserve Bank of India issued guidelines introducing the Scheme for Sustainable Structuring of Stressed Assets (S4A). Projects that have commenced commercial operations and have aggregate borrowings (including interest) of over Rs. 5.0 billion are eligible to be structured under the scheme. The scheme is applicable where the Joint Lenders' Forum concludes, based on a techno-economic viability assessment, that the current sustainable debt can be serviced over its tenor at current levels of cash flows. The portion assessed as unsustainable should be converted into equity or redeemable cumulative optionally convertible preference shares or convertible debentures and may attract higher provisioning. The scheme may include allowing the current promoter to continue with majority shareholding, or bringing in a new promoter, or lenders acquiring majority shareholding through conversion of debt into equity. Further, in November 2016, revised guidelines were issued allowing the sustainable portion of the debt to be treated as standard at the time of implementation of the resolution, subject to provisions made upfront, covering the higher of 25.0% of the total outstanding or 50.0% of the unsustainable portion of debt.

- In July 2016, the Reserve Bank of India allowed banks to include government securities equivalent to an additional 1.0% of net demand and time liabilities under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as level 1 high quality liquid assets for the computation of the liquidity coverage ratio. With this, a total of 11.0% of net demand and time liabilities comprising statutory liquidity ratio securities would be available for banks to recognize as level one high quality liquid assets.

- The Reserve Bank of India increased the risk weights on externally unrated exposures to corporates, asset finance companies and infrastructure financing non-banking finance companies. According to guidelines issued in August 2016, risk weights on externally unrated exposures, where the exposure of the banking system exceeds Rs. 2.0 billion, would increase from 100.0% to 150.0% from June 30, 2017. Aggregate exposure of more than Rs. 1.0 billion which was rated earlier and subsequently became unrated attracts a risk weight of 150.0% from August 2016.

- The Reserve Bank of India issued a new framework for sale of distressed assets by banks in September 2016. Key features of the framework include allowing banks to sell such assets to non-banking finance companies, while earlier only sale to securitization companies/asset reconstruction companies were allowed. The framework requires using an e-auction platform and has introduced a floor of provisioning for investment in security receipts (SRs) backed by stressed assets. The provisioning is at the rate applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank, if more than 50% of the security receipts are held by the bank that sold loans from April 1, 2017. This threshold will be reduced to 10% from April 2018. The framework also prescribes additional disclosure requirements and offering first right of refusal to securitization companies/asset reconstruction companies which has already acquired a significant share of the asset through the auction process.

- In November 2016, the Reserve Bank of India allowed banks to raise funds through issuance of rupee denominated bonds overseas. Banks have been permitted to issue Perpetual Debt Instruments (PDI) qualifying for inclusion as additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital, by way of rupee denominated bonds in the overseas market.

- In February 2017, the Reserve Bank of India issued amendments with regard to payment of coupon on Basel III capital instruments. As per the revised guidelines, if current year profits are not sufficient, coupon may be paid through profits brought forward from previous years, and/or reserves representing appropriation of net profits including statutory reserves. However, this would exclude share premium, revaluation reserve, foreign currency translation reserve, investment reserve and reserves created on amalgamation. Appropriation from the statutory reserve shall be the last option when all other profit pools/reserves fall short of the coupon amount.

- The Reserve Bank of India revised the Prompt Corrective Action framework for banks effective from April 1, 2017. As per the revised guidelines, a bank may be placed under the framework at any point in time, if it is found to breach any of the parameters prescribed. The key criteria for invocation of the prompt correct action include either falling below the capital adequacy ratio of 10.25% and/or common equity tier 1 ratio of 6.75%, or exceeding net non-performing asset ratio of 6.0%, or negative return on assets for two consecutive years, or a leverage ratio of below 4.0%. Depending upon the extent of breach, the bank may be classified into three risk thresholds and will be accordingly restricted from business expansion and will be required to take mandatory action for resolution. A bank breaching the risk threshold where the common equity tier 1 falls below 3.625% could be considered for resolution through tools like amalgamation, reconstruction and winding-up.

- In April 2017, the Reserve Bank of India issued guidelines requiring banks to make additional disclosures in their financial statements where there is a material divergence in the asset classification and provisioning by banks as compared to that prescribed by the regulator. The guidelines require that where the additional provisioning requirements assessed by the Reserve Bank of India exceed 15.0% of the published net profits after tax for the reference period, and/or the additional gross non-performing assets identified by the Reserve Bank of India exceed 15.0% of the published incremental gross non-performing assets for the reference period, the same will have to be disclosed in the notes to accounts section of the annual report.

- In April 2017, the Reserve Bank of India issued clarifications with regard to recognizing gains in the profit and loss account on repatriation of accumulated profits/retained earnings from overseas branches. As per the clarification, banks cannot recognize in the profit and loss account the proportionate exchange gains or losses held in the foreign currency translation reserve on repatriation of profits from overseas operations.

- In a guideline issued in April 2017, the Reserve Bank of India required banks to maintain provisions for standard assets at rates higher than the regulatory requirement, particularly in respect of advances to stressed sectors of the economy. Banks are required to put in place a Board-approved policy, to be reviewed on a quarterly basis, for making higher provisions based on evaluation of risk and stress in various sectors. As an immediate step, such evaluation in the telecom sector was required to be completed by June 30, 2017.

- To further facilitate timely resolution of stressed assets, the Banking Regulation (Amendment) Ordinance, 2017 was promulgated in May 2017, which enables the Government to authorize the Reserve Bank of India to direct banks to resolve specific stressed assets. The Ordinance amended section 35A of the Banking Regulation Act, 1949 and inserted two new sections 35AA and 35AB. Through this amendment, the Reserve Bank of India is authorized to intervene and instruct banks to resolve specific stressed assets and initiate insolvency resolution process where required. The Reserve Bank of India is also empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for resolution of stressed assets. Subsequently, to facilitate timely decision making under the Joint Lenders' Forum, the Reserve Bank of India issued guidelines directing banks to adhere to timelines and any resolution plan approved by 60% of the creditors by value and 50% of the creditors by number at the Joint Lenders' Forum was made binding on all members. The Overseeing Committee, that was set up to oversee resolution under the Scheme for Sustainable Structuring of Stressed Assets (S4A), was reconstituted and expanded and the scope of cases to be referred to the Overseeing Committee was also expanded to include cases other than under the S4A Scheme having aggregate banking system exposure greater than Rs. 5.00 billion.

Further, in June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. The Reserve Bank of India has also directed banks to maintain a minimum prescribed provision for these cases referred to the National Company Law Tribunal. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code.

Business overview

While assessing our performance, we monitor key financial variables such as movement in yield on assets, cost of funds and net interest margin, movement in fee income, cost ratios, loan loss provisions and return on assets and equity. We also monitor key business indicators such as deposit growth, funding mix, loan disbursements and loan delinquency trends. We also analyze changes in economic indicators such as interest rates, liquidity and exchange rates. In addition to these indicators, we monitor other non-financial indicators such as quality of customer service and the extent and nature of customer complaints and estimates of market share in key product lines.

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector was slow, and the additions to non-performing loans, including slippages from restructured loans, increased.

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, during fiscal 2017.

See also "*—Executive Summary—Business environment—Trends in fiscal 2017*".

Due to the increased level of risks in the business environment, the Indian banking system in general has experienced an increase in the level of additions to non-performing loans including slippages from restructured loans. During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, Indian banks, including us, experienced a substantial increase in the level of additions to non-performing loans, including downgrades from restructured loans, into non-performing status during the second half of fiscal 2016. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. In June 2017, the Reserve Bank of India has directed banks to commence proceedings under the Insolvency and Bankruptcy Code, enacted in 2016, in respect of certain corporate borrowers. Under this Code, a resolution plan for these borrowers would be required to be finalized within specified timeframes, failing which the borrowers would go into liquidation. Given the limited experience of this framework, the successful resolution of these borrowers would be achieved, and should one or more of these borrowers go into liquidation, the provisioning requirement and credit loss on these loans could result in significantly higher provisions.

There has been a substantial moderation in overall loan growth in the banking sector, driven primarily by lower growth in credit to the corporate sector. System deposits growth in fiscal 2017 improved sharply due to the Government’s decision to withdraw high denomination currency notes. This resulted in a significant increase in savings and current account deposits, and a reduction in deposit rates for banks. In general, trends in systemic liquidity, interest rates and inflation influence deposit growth, especially with respect to low cost savings and current account deposits. Our ability to grow our low cost deposit base may be impacted by increasing competition for such deposits from existing banks and new entrants. The slowdown in fresh corporate investments and new infrastructure projects has impacted our related fee income revenue streams. Given these developments, we have adopted a balanced approach to growth, risk management and profitability. We have continued our focus on driving momentum in the retail segment while adopting a selective approach to corporate lending. We have also focused on sustaining the improvements in our deposit profile and cost ratios and managing the quality of our portfolio. As we grow our businesses, meeting customer expectations on service quality has been a critical element of our strategy.

A discussion of our financial performance in fiscal 2017 is given below:

Operating profit before provisions increased by 14.2% from Rs. 266.1 billion in fiscal 2016 to Rs. 303.9 billion in fiscal 2017 primarily due to an increase in non-interest income, offset, in part, by an increase in non-interest expenses.

Net interest income increased by 3.2% from Rs. 253.0 billion in fiscal 2016 to Rs. 261.0 billion in fiscal 2017 reflecting an increase of 9.2% in the average volume of interest-earning assets, offset, in part, by a decrease in net interest margin by 19 basis points from 3.52% in fiscal 2016 to 3.33% in fiscal 2017.

Non-interest income increased by 24.6% from Rs. 421.0 billion in fiscal 2016 to Rs. 524.6 billion in fiscal 2017 primarily due to an increase in net earned premium and other operating income relating to insurance business and income from treasury-related activities. Premium and other operating income relating to insurance business increased by 18.3% from Rs. 263.8 billion in fiscal 2016 to Rs. 312.0 billion in fiscal 2017 primarily reflecting an increase in business volume. Income from treasury-related activities increased from Rs. 66.2 billion in fiscal 2016 to Rs. 114.4

billion in fiscal 2017, primarily due to the Bank's sale, during fiscal 2017, of equity shares representing a 12.63% shareholding in its life insurance subsidiary, ICICI Prudential Life Insurance Company Limited, through an initial public offer. This sale resulted in a gain of Rs. 51.3 billion.

Non-interest expenses increased by 18.1% from Rs. 407.9 billion in fiscal 2016 to Rs. 481.7 billion in fiscal 2017, primarily due to an increase in expenses pertaining to insurance business and other operating expenses.

Provisions and contingencies (excluding provision for tax) increased by 34.8% from Rs. 123.1 billion in fiscal 2016 to Rs. 165.8 billion in fiscal 2017. This increase was primarily due to an increase in provisions for non-performing assets. The net non-performing assets ratio increased from 2.7% at year-end fiscal 2016 to 4.7% at year-end fiscal 2017. The provisions for non-performing assets are expected to remain elevated in the near term due to high corporate sector leverage, slow improvement in corporate cash flows, the time required for resolution of stressed assets and the evolving regulatory approach.

The income tax expense decreased by 26.9% from Rs. 33.8 billion in fiscal 2016 to Rs. 24.7 billion in fiscal 2017 primarily due to a lower effective tax rate in fiscal 2017, primarily reflecting the composition of income.

As a result of the above, the profit after tax increased marginally from Rs. 101.8 billion in fiscal 2016 to Rs. 101.9 billion in fiscal 2017.

Net worth (equity share capital and reserves and surplus) increased from Rs. 941.1 billion at year-end fiscal 2016 to Rs. 1,046.3 billion at year-end fiscal 2017 primarily due to accretion to reserves from profit for the year.

Total assets increased by 7.3% from Rs. 9,187.6 billion at year-end fiscal 2016 to Rs. 9,860.4 billion at year-end fiscal 2017. Total deposits increased by 13.6% from Rs. 4,510.8 billion at year-end fiscal 2016 to Rs. 5,125.9 billion at year-end fiscal 2017. Savings account deposits increased by 23.9% from Rs. 1,444.6 billion at year-end fiscal 2016 to Rs. 1,790.1 billion at year-end fiscal 2017. Current account deposits increased by 27.3% from Rs. 603.4 billion at year-end fiscal 2016 to Rs. 767.9 billion at year-end fiscal 2017. The current account and savings account ratio (ratio of current account and savings account deposits to total deposits) increased from 45.4% at year-end fiscal 2016 to 49.9% at year-end fiscal 2017 which includes the impact of significantly higher current account and savings account deposit inflows in the second half of the fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India. Total advances increased by 4.4% from Rs. 4,937.3 billion at year-end fiscal 2016 to Rs. 5,153.2 billion at year-end fiscal 2017. Our retail advances increased by 12.7% from Rs. 2,385.7 billion at year-end fiscal 2016 to Rs. 2,689.6 billion at year-end fiscal 2017.

ICICI Bank's branch network in India increased from 4,450 branches at year-end fiscal 2016 to 4,850 branches at year-end fiscal 2017. The ATM network of the Bank increased from 13,766 ATMs at year-end fiscal 2016 to 13,882 ATMs at year-end fiscal 2017.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.7%; Tier 1 risk-based capital ratio of 14.4% and total risk-based capital ratio of 17.4%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.8%; Tier 1 risk-based capital ratio of 14.4%; and total risk-based capital ratio of 17.3%.

Business outlook

Growth in India's gross domestic product had recovered from 6.4% in fiscal 2014 to 7.5% in fiscal 2015 and further to 8.0% in fiscal 2016. Growth in fiscal 2017, however, declined to 7.1% primarily due to the slowdown in growth in industrial and services sectors. Growth in the industrial sector moderated to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Other macroeconomic parameters remained stable supported by a moderation in inflation, a strengthened external sector position and a relatively stable exchange rate. The corporate sector continued to experience challenges reflected in low profitability and subdued investment activity. During fiscal 2017, credit growth in the Indian banking system continued to remain muted while deposit growth improved following the Government's decision to withdraw high denomination currency notes. This was accompanied by an increase in the level of non-performing loans. See also "*Risk Factors—Risks Relating to India and other Economic and Market Risks—A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer*".

The operating environment for the Indian corporate sector continues to remain challenging, in view of the gradual nature of the economic recovery, continued weak corporate investment activity and high leverage. The decline in commodity prices has had an impact on borrowers in commodity-linked sectors. Subdued capital investment in the economy has impacted corporations in investment-linked sectors like construction. Lending opportunities for banks in the corporate sector have remained limited due to weak credit demand with focus shifting to higher rated corporates and the retail segment for incremental credit. Competitive pressures in lending to these segments are impacting pricing and the net interest income of banks. Further, pricing of loans has been impacted by the introduction of marginal cost of funds based lending rates, which has led to re-pricing of loans to a lower rate compared to the earlier base rate. The withdrawal of high denomination currency notes in November 2016 also increased pricing pressures due to the significant inflow of low cost deposits in the banking system. Competition is also rising among a few large public sector banks, private sector banks and the recently licensed new types of banks that are seeking to expand their customer base through deployment of capital and technology.

Due to the increased level of risks in the business environment, the Indian banking system in general has experienced an increase in the level of additions to non-performing loans including slippages from restructured loans. Further, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing loans and provisions of a number of Indian banks, including us, increased significantly during the second half of fiscal 2016.

During fiscal 2017, corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans during fiscal 2017. Further, in June 2017, the Reserve Bank of India directed banks to commence proceedings under the Insolvency and Bankruptcy Code, enacted in 2016, in respect of certain corporate borrowers. Under this Code, a resolution plan for these borrowers would be required to be finalized within specified timeframes, failing which the borrowers would go into liquidation. The Reserve Bank of India has also specified higher provisions in respect of loans to these borrowers. Given the limited experience of this framework, should one or more of these borrowers go into liquidation, the provisioning requirement and credit loss on these loans could result in significantly higher provisions. Our non-performing loans and provisions are expected to remain elevated in the near term.

However, over the longer-term, we see favorable prospects for the Indian economy. The Government and the Reserve Bank of India have announced several measures to address the stress in the Indian banking system. The Government has also announced several policy initiatives in the areas of foreign investments, promoting manufacturing, efficiency of government services, fiscal consolidation and long-term projects for improving infrastructure. Structural reforms like the implementation of the Goods and Services Tax have been introduced. We expect India's strong domestic consumption and investment drivers to continue to support healthy rates of growth. Increasing household incomes and consumption are expected to lead to opportunities in retail savings, investment and loan products, significant industrial and infrastructure investment potential to lead to opportunities in project and corporate finance, and increasing global linkages to lead to opportunities in international banking for Indian corporations and non-resident Indians.

In the life insurance sector, the new business retail weighted premium for the industry increased by 20.7% during fiscal 2017 compared to growth of 8.1% during fiscal 2016. The private sector life insurance companies saw a growth of 26.4% in fiscal 2017 compared to a growth of 13.6% in fiscal 2016 on new business retail weighted premium basis. In the general insurance sector gross direct premium income grew by 32.4% in fiscal 2017. See also "*Business—Overview of Our Products and Services—Insurance*".

Considering the challenges in the operating environment, we have over the years re-balanced our deposit profile, improved cost efficiency, scaled up retail loan growth, calibrated corporate loan growth and maintained high capital adequacy ratios. Our objective going forward will be to sustain our robust funding profile and improvements in our operating performance while continuing to closely monitor credit quality. We will focus on reducing concentration risks in our portfolio and seek resolution and recovery of exposures impacted by the economic environment. Meeting customer expectations on service quality through digital initiatives and a strong customer franchise will be a critical element of our strategy. We will also continue to focus on unlocking value in our subsidiaries and further improve capital efficiency.

The success of our strategy depends on several factors, including our ability to grow our low cost deposit base, growing our loan book profitably, containing non-performing and restructured loans, early resolution of stressed assets, our judicial process, maintaining regulatory compliance in an evolving regulatory environment, addressing regulators' assessments of and observations on our operations, and competing effectively in the Indian corporate and retail financial services market. Regulations governing the financial sector in India, including banking, insurance and asset management, continue to evolve, with a potential impact on the growth and profitability of financial services groups such as us. Our overseas branches are primarily funded from wholesale sources and global financial market conditions may impact our ability to raise funds and grow the business of our overseas branches. See also "*Risk Factors—Risks Relating to Our Business—Our international operations increase the complexity of the risks that we face*". The success of our strategy is also subject to the overall regulatory and policy environment in which we operate including the direction of monetary policy. Our ability to execute our strategy will also depend on the liquidity and interest rate environment. See also "*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*". With regard to our overseas banking subsidiaries, recent global developments, including subdued crude oil prices and continuing negotiations between the United

Kingdom and European policymakers following its vote to withdraw from the European Union, are expected to slow down economic growth in Canada and the United Kingdom, respectively, which in turn could impact the business of our banking subsidiaries in these countries.

For a detailed discussion of risks that we face in our business please refer to “*Risk Factors*”.

Average Balance Sheet

The average balances are the sum of daily average balances outstanding, except for the average balances of our overseas branches which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances. The yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of advances include non-performing advances and are net of allowance for loan losses. We have re-calculated tax-exempt income on a tax-equivalent basis. Tax exempt income primarily consists of dividend income and interest income on tax free bonds. For fiscal 2017, we have applied an effective marginal tax rate of 27% for the purpose of this recomputation. Other interest income has been bifurcated into rupee and foreign currency amounts in order to facilitate the explanation of movements of rupee and foreign currency spreads and margins. The rupee portion of other interest income primarily includes interest on income tax refunds and income from interest rate swaps. The foreign currency portion of other interest income primarily includes income from interest rate swaps in foreign currencies. These swaps are not part of our portfolio and are undertaken by us to manage the market risk arising from our assets and liabilities. Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which contribute to the major components of interest income, interest expense and net interest income.

	Year ended March 31, 2015			2016			2017		
	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Av yie cos
	(in millions, except percentages)								
Assets:									
Advances:									
Rupee	Rs. 2,655,787	Rs. 321,025	12.09%	Rs. 3,117,572	Rs. 353,636	11.34%	Rs. 3,539,213	Rs. 366,258	10
Foreign currency	1,393,493	59,572	4.28	1,555,024	61,873	3.98	1,457,164	54,546	3.
Total advances	4,049,280	380,597	9.40	4,672,596	415,509	8.89	4,996,376	420,804	8.
Investments:									

Rupee[1]	1,746,884	139,343	7.98		1,863,861	143,498	7.70		2,105,650	154,825	7.
Foreign currency	76,461	1,107	1.45		105,495	1,790	1.70		117,045	2,231	1.
Total investments	1,823,345	140,450	7.70		1,969,356	145,288	7.38		2,222,696	157,056	7.
Other interest-earning assets:											
Rupee[1]	436,451	16,372	3.75		507,352	19,027	3.75		557,025	20,248	3.
Foreign currency	140,116	1,092	0.78		97,331	655	0.67		135,643	1,126	0.
Total other interest-earning assets	576,567	17,464	3.03	%	604,683	19,682	3.25	%	692,668	21,374	3.
Other interest income:											
Rupee		5,624				6,771				7,512	
Foreign currency		8,156				7,730				5,150	
Total other interest income		13,780				14,501				12,661	
Interest-earning assets:											
Rupee	4,839,122	482,364	9.97		5,488,785	522,932	9.53		6,201,888	548,842	8.
Foreign currency	1,610,070	69,927	4.34		1,757,850	72,048	4.10		1,709,852	63,053	3.
Total interest-earning assets	6,449,192	552,291	8.56		7,246,635	594,980	8.21		7,911,740	611,895	7.
Fixed assets	56,101				59,269				88,377		
Other assets	1,184,109				1,185,038				1,361,346		
Total non-earning assets	1,240,210				1,244,307				1,449,723		

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	Year ended March 31, 2015			2016			2017		
	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Ave yiel cost
	(in millions, except percentages)								
Total assets	Rs. 7,689,402	Rs. 552,291		Rs. 8,490,942	Rs. 594,980		Rs. 9,361,464	Rs. 611,895	
Liabilities:									
Savings account deposits:									
Rupee	Rs. 981,430	Rs. 39,012	3.98 %	Rs. 1,121,213	Rs. 44,730	3.99 %	Rs. 1,391,381	Rs. 55,373	3.9
Foreign currency	76,724	849	1.11	86,770	957	1.10	83,108	805	0.9
Total savings account deposits	1,058,154	39,861	3.77	1,207,983	45,687	3.78	1,474,489	56,177	3.8
Time deposits:									
Rupee	1,693,728	148,279	8.75	1,891,635	155,382	8.21	2,163,756	162,366	7.5
Foreign currency	461,456	19,583	4.24	456,709	18,921	4.14	383,130	14,084	3.6
Total time deposits	2,155,184	167,862	7.79	2,348,344	174,303	7.42	2,546,886	176,449	6.9
Other demand deposits:									
Rupee	277,798			326,919			409,105		
Foreign currency	48,364			57,249			67,693		
Total other demand deposits	326,162			384,168			476,798		
Total deposits:									
Rupee	2,952,956	187,291	6.34	3,339,767	200,112	5.99	3,964,243	217,738	5.4
Foreign currency	586,544	20,432	3.48	600,728	19,878	3.31	533,932	14,888	2.7
Total deposits	3,539,500	207,723	5.87	3,940,495	219,990	5.58	4,498,175	232,626	5.1
Borrowings:									
Rupee	717,975	75,376	10.50	815,910	80,749	9.90	834,502	76,252	9.1
Foreign currency	1,188,315	40,083	3.37	1,338,001	39,226	2.93	1,297,597	39,480	3.0
Total borrowings	1,906,290	115,459	6.06	2,153,911	119,975	5.57	2,132,099	115,732	5.4
Interest-bearing liabilities:									
Rupee	3,670,931	262,667	7.16	4,155,677	280,861	6.76	4,798,745	293,990	6.1
Foreign currency	1,774,859	60,515	3.41	1,938,729	59,104	3.05	1,831,529	54,368	2.9
Total interest-bearing	5,445,790	323,182	5.93	6,094,406	339,965	5.58	6,630,273	348,358	5.2

liabilities						
Preference share capital	3,500		3,500		3,500	
Other liabilities	1,411,302		1,473,283		1,724,967	
Total liabilities	6,860,592	323,182	7,571,189	339,965	8,358,741	348,358
Stockholders' equity	828,810		919,753		1,002,723	
Total liabilities and stockholders' equity	Rs. 7,689,402	Rs. 323,182	Rs. 8,490,942	Rs. 339,965	Rs. 9,361,464	Rs. 348,358

1 In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits have been re-grouped to other interest earning assets. Accordingly, figures of fiscal 2015 presented have been re-grouped to conform to the current year presentation.

Analysis of Changes in Interest Income and Interest Expense: Volume and Rate Analysis

The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purpose of this table, changes which are due to both volume and rate have been allocated solely to volume.

	Fiscal 2016 vs. Fiscal 2015			Fiscal 2017 vs. Fiscal 2016		
		Increase (decrease) due to			Increase (decrease) due to	
	Net change	Change in average volume	Change in average rate	Net change	Change in average volume	Change in average rate
	(in millions)					
Interest income:						
Advances:						
Rupee	Rs.32,611	Rs.52,382	Rs.(19,771)	Rs.12,622	Rs.43,634	Rs.(31,012)
Foreign currency	2,301	6,427	(4,126)	(7,328)	(3,663)	(3,665)
Total advances	34,912	58,809	(23,897)	5,294	39,971	(34,677)
Investments:						
Rupee[1]	4,155	9,006	(4,851)	11,327	17,778	(6,451)
Foreign currency	682	492	190	441	220	221
Total investments	4,837	9,498	(4,661)	11,768	17,998	(6,230)
Other interest-earning assets:						
Rupee[1]	2,654	2,659	(5)	1,221	1,806	(585)
Foreign currency	(436)	(288)	(148)	471	318	153
Total other interest earning asset	2,218	2,371	(153)	1,692	2,124	(432)
Other interest income						
Rupee	1,148	—	1,148	740	—	740
Foreign currency	(426)	—	(426)	(2,580)	—	(2,580)
Other interest income	722	—	722	(1,840)	—	(1,840)
Total interest income:						
Rupee	40,568	64,047	(23,479)	25,910	63,218	(37,308)
Foreign currency	2,121	6,631	(4,510)	(8,996)	(3,125)	(5,871)
Total interest income	42,689	70,678	(27,989)	16,914	60,093	(43,179)
Interest expense:						
Savings account deposits:						
Rupee	5,717	5,576	141	10,643	10,752	(109)
Foreign currency	107	110	(3)	(152)	(35)	(117)
Total savings account deposits	5,824	5,686	138	10,491	10,717	(226)
Time deposits:						
Rupee	7,103	16,256	(9,153)	6,983	20,420	(13,437)
Foreign currency	(662)	(197)	(465)	(4,838)	(2,705)	(2,133)
Total time deposits	6,441	16,059	(9,618)	2,145	17,715	(15,570)
Total deposits:						
Rupee	12,820	21,832	(9,012)	17,626	31,172	(13,546)
Foreign currency	(555)	(87)	(468)	(4,990)	(2,740)	(2,250)

Total deposits	12,265	21,745	(9,480)	12,636	28,432	(15,796)
Borrowings:						
Rupee	5,373	9,693	(4,320)	(4,497)	1,699	(6,196)
Foreign currency	(856)	4,388	(5,244)	254	(1,229)	1,483
Total borrowings	4,517	14,080	(9,564)	(4,243)	470	(4,713)
Total interest expense:						
Rupee	18,193	31,525	(13,332)	13,129	32,871	(19,742)
Foreign currency	(1,411)	4,301	(5,712)	(4,736)	(3,969)	(767)
Total interest expense	16,782	35,825	(19,044)	8,393	28,902	(20,509)
Net interest income:						
Rupee	22,375	32,522	(10,147)	12,781	30,347	(17,566)
Foreign currency	3,532	2,330	1,202	(4,260)	844	(5,104)
Total net interest income	Rs. 25,907	Rs. 34,852	Rs. (8,945)	Rs. 8,521	Rs. 31,191	Rs. (22,670)

1. In accordance with the Reserve Bank of India circular dated July 16, 2015, interest on the Rural Infrastructure and Development Fund and other related deposits has been re-grouped from line item 'income on investments' to 'income from other interest earning assets'. Figures of fiscal 2015 have been re-grouped to conform to the current year presentation.

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets.

	Year ended March 31,				
	2013	2014	2015	2016	2017
	(in millions, except percentages)				
Interest income[1]	Rs. 451,516	Rs. 497,393	Rs. 552,291	Rs. 594,980	611,895
Average interest-earning assets	5,272,489	5,830,625	6,449,192	7,246,635	7,911,740
Interest expense	282,854	297,106	323,182	339,965	348,358
Average interest-bearing liabilities	4,556,099	4,996,433	5,445,790	6,094,406	6,630,273
Average total assets	6,394,436	7,037,002	7,689,402	8,490,942	9,361,464
Average interest-earning assets as a percentage of average total assets	82.45 %	82.86 %	83.87 %	85.35 %	84.51 %
Average interest-bearing liabilities as a percentage of average total assets	71.25	71.00	70.82	71.78	70.83
Average interest-earning assets as a percentage of average interest-bearing liabilities	115.72	116.70	118.43	118.91	119.33
Yield	8.56	8.53	8.56	8.21	7.73
Rupee	9.95	9.95	9.97	9.53	8.85
Foreign currency	4.52	4.41	4.34	4.10	3.69
Cost of funds	6.21	5.95	5.93	5.57	5.25
Rupee	7.57	7.34	7.16	6.76	6.13
Foreign currency	3.32	3.16	3.41	3.05	2.97
Spread[2]	2.35	2.58	2.63	2.64	2.48
Rupee	2.38	2.61	2.81	2.77	2.72
Foreign currency	1.20	1.25	0.93	1.05	0.72
Net interest margin[3]	3.20	3.44	3.55	3.52	3.33
Rupee	3.98	4.31	4.54	4.41	4.11
Foreign currency	0.90	0.89	0.58	0.74	0.51

(1) We have re-calculated tax-exempt income on a tax-equivalent basis. The impact of re-calculation of tax-exempt income on a tax equivalent basis was Rs. 2.7 billion for fiscal 2013, Rs. 2.6 billion for fiscal 2014, Rs. 2.7 billion for fiscal 2015, Rs. 2.0 billion for fiscal 2016 and Rs. 2.5 billion for fiscal 2017.

(2) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(3)

Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Interest income[1]	Rs. 592,937	Rs. 609,399	US$ 9,397	2.8 %
Interest expense	(339,965)	(348,358)	(5,372)	2.5 %
Net interest income	Rs. 252,972	Rs. 261,041	US$ 4,025	3.2 %

(1) Tax exempt income has not been re-calculated on a tax-equivalent basis.

Net interest income increased by 3.2% from Rs. 253.0 billion in fiscal 2016 to Rs. 261.0 billion in fiscal 2017, reflecting an increase of 9.2% in the average volume of interest-earning assets, offset, in part, by a decrease in net interest margin by 19 basis points.

Net interest margin

Net interest margin on the rupee portfolio decreased by 30 basis points from 4.41% in fiscal 2016 to 4.11% in fiscal 2017 and net interest margin on foreign currency portfolio decreased by 23 basis points from 0.74% in fiscal 2016 to 0.51% in fiscal 2017. The decrease in overall net interest margin was lower at 19 basis points (from 3.52% in fiscal 2016 to 3.33% in fiscal 2017) primarily due to an increase in proportion of the rupee portfolio, which has relatively higher margins, in the total portfolio.

The yield on the rupee portfolio decreased by 68 basis points from 9.53% in fiscal 2016 to 8.85% in fiscal 2017 primarily due to the following:

- The yield on rupee advances decreased by 99 basis points from 11.34% in fiscal 2016 to 10.35% in fiscal 2017. The yield on rupee investments decreased by 35 basis points from 7.70% in fiscal 2016 to 7.35% in fiscal 2017. The yield on other interest-earning assets decreased by 12 basis points from 3.75% in fiscal 2016 to 3.63% in fiscal 2017.

- The yield on rupee advances decreased by 99 basis points from 11.34% in fiscal 2016 to 10.35% in fiscal 2017 primarily due to the following reasons:

- There were higher additions to non-performing assets and loans under strategic debt restructuring scheme during fiscal 2016 and fiscal 2017. The Bank accounts for interest income on a cash basis on non-performing assets and cases where strategic debt restructuring has been invoked.

- The Bank reduced its base rate by 65 basis points in three phases in fiscal 2016, a full year impact of this change was reflected in fiscal 2017. Further, the incremental loans by the Bank were made at lower rates, in line with market trends. See also "*Business—Loan portfolio—Loan pricing*".

- The yield on interest-earning rupee investments decreased by 35 basis points from 7.70% in fiscal 2016 to 7.35% in fiscal 2017. The yield on Government securities decreased primarily due to softening of yields. The yield on other than statutory liquidity ratio investments decreased primarily due to a decrease in the yield on bonds and debentures, mutual funds, commercial paper and certificate of deposits, reflecting softening of interest rates, offset, in part, by higher yield on pass through certificates.

- The yield on other interest-earning assets decreased by 12 basis points from 3.75% in fiscal 2016 to 3.63% in fiscal 2017 primarily due to a decrease in average investment in Rural Infrastructure Development Fund and other related deposits, which are relatively higher yielding amongst other interest-earning assets, and a decrease in yield on short-term money market lending.

- Interest on income tax refunds increased from Rs. 3.3 billion in fiscal 2016 to Rs. 4.5 billion in fiscal 2017. The receipt, amount and timing of such income depend on the nature and timing of determinations by tax authorities and are neither consistent nor predictable.

The cost of funds for the rupee portfolio decreased by 63 basis points from 6.76% in fiscal 2016 to 6.13% in fiscal 2017 primarily due to the following factors:

- The cost of rupee deposits decreased by 50 basis points from 5.99% in fiscal 2016 to 5.49% in fiscal 2017 primarily due to a decrease in the cost of rupee term deposits and an increase in the proportion of average current account and savings account deposits. The cost of rupee term deposits decreased from 8.21% in fiscal 2016 to 7.50% in fiscal 2017 reflecting softening of interest rates. The average rupee current account and savings account deposits as a percentage of total rupee deposits increased from 43.4% in fiscal 2016 to 45.4% in fiscal 2017, which includes the impact of significantly higher current account and savings account deposit inflows in the second half of the fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India.

- The cost of rupee borrowings decreased by 76 basis points from 9.90% in fiscal 2016 to 9.14% in fiscal 2017 primarily due to a decrease in the cost of refinance borrowings and cost of bond borrowings.

The yield on our foreign currency portfolio decreased by 41 basis points from 4.10% in fiscal 2016 to 3.69% in fiscal 2017 primarily due to the following:

- The yield on average interest earning assets of overseas branches of ICICI Bank decreased primarily due to a decrease in the yield on average advances. The yield on average advances of overseas branches decreased primarily due to an increase in non-performing assets and strategic debt restructuring/change in management cases in fiscal 2016 and fiscal 2017, as interest income is not accrued on non-performing assets and cases where strategic debt restructuring/change in management has been invoked.

- The net interest income on non-trading interest rate swaps of ICICI Bank, which are undertaken to manage the market risk arising from assets and liabilities, decreased from Rs. 7.4 billion in fiscal 2016 to Rs. 5.0 billion in fiscal 2017 primarily due to maturity of underlying borrowings.

- The yield on average interest earning assets of ICICI Bank Canada decreased primarily due to a decrease in yield on average advances. Yield on average advances decreased primarily due to the repayment/prepayment of high yielding loans and investment securities and an increase in the lower yielding securitized insured mortgages portfolio.

- The yield on average interest earning assets of ICICI Bank UK decreased primarily due to a decrease in yield on average advances. Yield on average advances decreased primarily due to the repayment/prepayment of high yielding advances.

The cost of funds for the foreign currency portfolio decreased by 8 basis points from 3.05% in fiscal 2016 to 2.97% in fiscal 2017, due to the following factors:

- The cost of funds for ICICI Bank's foreign currency funding decreased primarily due to a decrease in cost of deposits, offset, in part, by an increase in cost of borrowings. The cost of deposits decreased primarily due to a decrease in cost of term deposits. The cost of borrowings increased primarily due to a decrease in term borrowings with relatively lower cost.

- The cost of funds of ICICI Bank UK decreased primarily due to decrease in cost of deposits, offset, in part, by an increase in cost of borrowings. The cost of deposits decreased primarily due to interest rate reduction on retail deposits. The cost of borrowings increased primarily due to an increase in cost of repo and overnight borrowings, offset, in part, by buyback of higher cost subordinated bond borrowings.

- The cost of funds of ICICI Bank Canada decreased primarily due to a decrease in cost of deposits and cost of borrowings. The cost of deposits decreased primarily due to maturity of high cost deposits. The cost of borrowings decreased primarily due to an increase in the proportion of lower cost insured mortgages securitization borrowings in the total borrowings.

Our interest income, yield on advances, net interest income and net interest margin are likely to continue to be impacted going forward, due to the non-accrual of income on non-performing assets and loans under the strategic debt restructuring/change in management scheme and the scheme for sustainable structuring of stressed assets, the increased proportion of secured retail advances in total advances, focus on lending to higher rated corporates, changes in benchmark lending rates and competitive market conditions. Further, during November 2016-March 2017, there was a significant increase in savings and current account deposits following the government of India's decision to withdraw high denomination currency notes resulting in a sharp increase in liquidity in the banking system. While this resulted in a decline in the cost of funds for us, the decline in lending rates have been higher as banks seek to deploy the excess liquidity in an environment with low credit demand. Further, existing customers with floating rate loans also repriced to the lower rate. This is likely to impact our interest income, yield on advances, net interest income and net interest margin.

Interest-earning assets

The average volume of interest-earning assets increased by 9.2% from Rs. 7,246.6 billion in fiscal 2016 to Rs. 7,911.7 billion in fiscal 2017. The increase in interest-earning assets was primarily due to an increase in average advances by Rs. 323.8 billion and an increase in average interest-earning investments by Rs. 253.3 billion.

Average advances increased by 6.9% from Rs. 4,672.6 billion in fiscal 2016 to Rs. 4,996.4 billion in fiscal 2017. Average rupee advances increased by 13.5% from Rs. 3,117.6 billion in fiscal 2016 to Rs. 3,539.2 billion in fiscal 2017 primarily due to an increase in retail advances. Average foreign currency advances decreased by 6.3% from Rs. 1,555.0 billion in fiscal 2016 to Rs. 1,457.2 billion in fiscal 2017 primarily due to a decrease in advances of ICICI Bank and ICICI Bank UK on account of prepayment and repayment of advances and maturities of loans against foreign currency non-resident deposits.

Average interest-earning investments increased by 12.9% from Rs. 1,969.4 billion in fiscal 2016 to Rs. 2,222.7 billion in fiscal 2017. Average rupee investments increased by 13.0% from Rs. 1,863.9 billion in fiscal 2016 to Rs. 2,105.7 billion in fiscal 2017 primarily due to an increase in investments in Indian government securities by 12.8% from Rs. 1,349.5 billion in fiscal 2016 to Rs. 1,521.6 billion in fiscal 2017. Average other rupee investments increased by 13.5% from Rs. 514.4 billion in fiscal 2016 to Rs. 584.1 billion in fiscal 2017.

Interest-earning rupee investments, other than Indian government securities include investments in corporate bonds and debentures, certificates of deposits, commercial paper, pass through certificates and liquid mutual funds. Average foreign currency investments increased by 10.9% from Rs. 105.5 billion in fiscal 2016 to Rs. 117.0 billion in fiscal 2017.

Average other interest-earning assets increased by 14.6% from Rs. 604.7 billion in fiscal 2016 to Rs. 692.7 billion in fiscal 2017 primarily due to an increase in balances with the Reserve Bank of India and call money lent, offset, in part, by a decrease in average investment in Rural Infrastructure Development Fund and other related deposits.

Interest-bearing liabilities

Average interest-bearing liabilities increased by 8.8% from Rs. 6,094.4 billion in fiscal 2016 to Rs. 6,630.3 billion in fiscal 2017 primarily due to an increase in average deposits by Rs. 557.7 billion.

Average interest-bearing rupee liabilities increased by 15.5% from Rs. 4,155.7 billion in fiscal 2016 to Rs. 4,798.7 billion in fiscal 2017. Average rupee time deposits increased by 14.4% from Rs. 1,891.6 billion in fiscal 2016 to Rs. 2,163.8 billion in fiscal 2017. Average rupee current account and savings account deposits increased by 24.3% from Rs. 1,448.1 billion in fiscal 2016 to Rs. 1,800.5 billion in fiscal 2017 which includes the impact of significantly higher current account and savings account deposits inflows in the second half of the fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India. Average rupee borrowings increased by 2.3% from Rs. 815.9 billion in fiscal 2016 to Rs. 834.5 billion in fiscal 2017.

Average interest-bearing foreign currency liabilities decreased by 5.5% from Rs. 1,938.7 billion in fiscal 2016 to Rs. 1,831.5 billion in fiscal 2017. Average foreign currency deposits decreased by 11.1% from Rs. 600.7 billion in fiscal 2016 to Rs. 533.9 billion in fiscal 2017. Average foreign currency deposits of ICICI Bank decreased primarily due to redemption of foreign currency non-resident (bank) deposits mobilized during fiscal 2014. Average deposits of ICICI Bank UK decreased primarily due to a decrease in corporate term deposits and saving deposits.

Average foreign currency borrowings decreased by 3.0% from Rs. 1,338.0 billion in fiscal 2016 to Rs. 1,297.6 billion in fiscal 2017. The foreign currency borrowings of ICICI Bank decreased primarily due to a decrease in term borrowings. Average borrowings of ICICI Bank Canada increased primarily on account of an increase in borrowings through securitization of mortgages. Average borrowings of ICICI Bank UK decreased primarily due to a decrease in repo borrowings. See also "*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*".

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 87,697	Rs. 96,344	US$ 1,486	9.9 %
Profit/(loss) on treasury-related activities (net)[1]	66,222	114,366	1,764	72.7
Profit/(loss) on sale of land, buildings and other assets (net)	264	(14)	(0) [2]	N/M
Premium and other operating income from insurance business	263,840	312,028	4,811	18.3
Miscellaneous income	2,998	1,853	28	(38.2)
Total non-interest income	Rs. 421,021	Rs. 524,577	US$ 8,089	24.6 %

N/M- Not meaningful

(1) Includes profit/(loss) on the sale/revaluation of investments and exchange transactions.

(2) Insignificant amount.

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Non-interest income primarily includes income pertaining to our insurance business, commission, exchange and brokerage income, profit/(loss) on treasury-related activities and other miscellaneous income. This analysis of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income increased by 24.6% from Rs. 421.0 billion in fiscal 2016 to Rs. 524.6 billion in fiscal 2017 primarily due to an increase in net earned premium and other operating income relating to insurance business and income from treasury-related activities.

Commission, exchange and brokerage

Commission, exchange and brokerage income primarily includes fees from our banking business as well as fee and brokerage income of our securities broking, asset management and venture capital fund management subsidiaries. The fee income of our banking business primarily includes fees from corporate clients such as loan processing fees, commercial banking fees and structuring fees and fee income from retail customers includes loan processing fees, credit card fees and service charges on retail deposit accounts.

Commission, exchange and brokerage income increased by 9.9% from Rs. 87.7 billion in fiscal 2016 to Rs. 96.3 billion in fiscal 2017. Commission, exchange and brokerage income of ICICI Bank increased from Rs. 74.6 billion in fiscal 2016 to Rs. 80.3 billion in fiscal 2017. The commission, exchange and brokerage income of ICICI Bank increased primarily due to an increase in fee income from retail customers such as credit card fees, fees from retail deposit customers and lending linked fees on retail loans, offset, in part, by a decrease in commercial banking fees and corporate lending linked fees.

Management fees of our asset management subsidiary and brokerage income of our securities broking subsidiary increased in fiscal 2017 as compared to fiscal 2016. Management fees of our asset management subsidiary increased in fiscal 2017 primarily due to an increase in average assets under management and change in product mix in favor of equity mutual funds, which earns higher fees. Brokerage income of our securities broking subsidiary increased primarily due to an increase in retail secondary market volume reflecting improved equity market conditions in fiscal 2017.

Income from treasury-related activities (net)

Income from treasury-related activities includes income from the sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share portfolio, units of venture capital and private equity funds, units of mutual funds and security receipts issued by asset reconstruction companies. Further, it also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions with clients, including options and swaps.

Income from treasury-related activities increased by 72.7% from Rs. 66.2 billion in fiscal 2016 to Rs. 114.4 billion in fiscal 2017 primarily due to higher gains on sale of equity investments and government securities and other fixed income positions.

Income from our equity portfolio increased from Rs. 28.7 billion in fiscal 2016 to Rs. 57.5 billion in fiscal 2017. Income from equity portfolio in fiscal 2016 primarily included a gain of Rs. 16.1 billion on sale of shares of ICICI Prudential Life Insurance Company Limited and Rs. 12.3 billion on sale of shares of ICICI Lombard General Insurance Company Limited. Income from our equity portfolio in fiscal 2017 primarily included a gain of Rs. 51.3 billion on sale of stake in ICICI Prudential Life Insurance Company Limited through an initial public offer.

Income from our government securities portfolio and other fixed income positions increased from Rs. 14.9 billion in fiscal 2016 to Rs. 39.3 billion in fiscal 2017. Yields on the benchmark 10-year Government securities remained in the range of 7.0% to 7.5% during April-October 2016. Yields fell significantly following the withdrawal of legal tender status of Specified Bank Notes to around 6.2% in November 2016 resulting in increased market opportunities for profit-taking in fiscal 2017 compared to fiscal 2016. Thereafter yields increased to 6.7% at March 31, 2017.

Income from foreign exchange transactions, including transactions with clients and margins on derivatives transactions with clients, decreased from Rs. 22.9 billion in fiscal 2016 to Rs. 14.6 billion in fiscal 2017. Till fiscal 2016, on the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which had been accumulated in the foreign currency translation reserve and which related to that operation were recognized as income or expenses in the same period in which the gain or loss on disposal was recognized. Accordingly, fiscal 2016 included a net exchange gain from repatriation of retained earnings from overseas operations of Rs. 9.4 billion. From fiscal 2017, the Bank does not recognize the cumulative/proportionate amount of such exchange differences as income or expenses, which relate to repatriation of accumulated retained earnings from overseas operations, based on guidelines issued by the Reserve Bank of India. Accordingly, the Bank did not recognize exchange gain of Rs. 2.9 billion on repatriation of retained earnings from its overseas operation in fiscal 2017.

Income relating to our insurance business

Income from our insurance business includes net premium income, fee and commission income, surrender charges and income on foreclosure of policies. Income from our insurance business increased by 18.3% from Rs. 263.8 billion in fiscal 2016 to Rs. 312.0 billion in fiscal 2017 due to an increase in income from both our life insurance and general insurance business.

Income from our life insurance business increased from Rs. 210.0 billion in fiscal 2016 to Rs. 242.9 billion in fiscal 2017.

Net premium income of our life insurance subsidiary increased from Rs. 189.8 billion in fiscal 2016 to Rs. 221.0 billion in fiscal 2017. The premium income (gross of premium on reinsurance ceded) of ICICI Prudential Life Insurance Company increased by 16.6% from Rs. 191.6 billion in fiscal 2016 to Rs. 223.5 billion in fiscal 2017 primarily due to an increase in retail renewal premium and retail new business premium. Retail renewal premium increased by 18.5% from Rs. 120.0 billion in fiscal 2016 to Rs. 142.2 billion in fiscal 2017. Retail new business premium increased by 29.4% from Rs. 54.5 billion in fiscal 2016 to Rs. 70.7 billion in fiscal 2017. Group premium decreased from Rs. 17.1 billion in fiscal 2016 to Rs. 10.7 billion in fiscal 2017.

Fee and other life insurance related income of our life insurance subsidiary increased from Rs. 20.2 billion in fiscal 2016 to Rs. 21.9 billion in fiscal 2017 primarily due to an increase in fund management charges and mortality charges.

Income from our general insurance business increased from Rs. 53.8 billion in fiscal 2016 to Rs. 69.1 billion in fiscal 2017. The net premium income of our general insurance subsidiary increased from Rs. 46.7 billion in fiscal 2016 to Rs. 60.1 billion in fiscal 2017 primarily due to an increase in crop/weather, motor and health insurance business. Commission income of our general insurance subsidiary increased from Rs. 7.1 billion in fiscal 2016 to Rs. 9.0 billion in fiscal 2017 primarily due to higher re-insurance commissions on crop/weather insurance business.

Miscellaneous income

Miscellaneous income decreased from Rs. 3.0 billion in fiscal 2016 to Rs. 1.9 billion in fiscal 2017.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Payments to and provisions for employees	Rs. 69,123	Rs. 78,933	US$ 1,217	14.2 %
Depreciation on own property	8,239	9,116	141	10.6
Auditor's fees and expenses	230	251	4	9.1
Depreciation on leased assets	192	0 (1)	0 (1)	(100.0)
Expenses pertaining to insurance business	232,710	276,982	4,271	19.0
Other administrative expenses	97,402	116,418	1,795	19.5
Total non-interest expenses	Rs. 407,896	Rs. 481,700	US$ 7,428	18.1 %

1. Insignificant amount

Non-interest expense primarily includes expenses relating to our insurance business, payment to and provision for employees and other administrative expenses. Operating expenses increased by 18.1% from Rs. 407.9 billion in fiscal 2016 to Rs. 481.7 billion in fiscal 2017 primarily due to an increase in expenses related to insurance business, other administrative expenses and payments to and provisions for employees.

Payments to and provisions for employees

Employee expenses increased by 14.2% from Rs. 69.1 billion in fiscal 2016 to Rs. 78.9 billion in fiscal 2017. Our employee base, including sales executives, employees on fixed term contracts and interns, increased from 97,132 at year-end fiscal 2016 to 107,980 at year-end fiscal 2017.

The employee expenses of ICICI Bank increased by 14.6% from Rs. 50.0 billion in fiscal 2016 to Rs. 57.3 billion in fiscal 2017. Employee expenses increased primarily due to higher salary on account of annual increments and promotions, an increase in average staff strength and higher provision for retirement benefit obligations due to movement in the discount rate linked to the yield on government securities. The employee base of ICICI Bank, including sales executives, employees on fixed term contracts and interns, increased from 74,096 employees at year-end fiscal 2016 to 82,841 employees at year-end fiscal 2017.

Employee expenses of ICICI Prudential Life Insurance Company increased by 9.3% from Rs. 7.5 billion in fiscal 2016 to Rs. 8.2 billion in fiscal 2017. Employee expenses of ICICI Lombard General Insurance Company increased by 26.0% from Rs. 3.7 billion in fiscal 2016 to Rs. 4.7 billion in fiscal 2017. The employee expenses of ICICI Securities Limited increased by 20.7% from Rs. 4.0 billion in fiscal 2016 to Rs. 4.9 billion in fiscal 2017.

Depreciation

Depreciation on owned property increased by 10.6% from Rs. 8.2 billion in fiscal 2016 to Rs. 9.1 billion in fiscal 2017 primarily due to an increase in fixed assets with higher depreciation rates.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance, direct marketing agency expenses and other expenditures. Other administrative expenses increased by 19.5% from Rs. 97.4 billion in fiscal 2016 to Rs. 116.4 billion in fiscal 2017 primarily due to an increase in expenses of ICICI Bank and our insurance subsidiaries. Other administrative expenses of ICICI Bank increased from Rs. 69.8

billion in fiscal 2016 to Rs. 82.6 billion in fiscal 2017 primarily due to an increase in the branch and ATM network and retail business volumes. The number of branches and extension counters (excluding foreign branches and offshore banking units) of ICICI Bank in India increased from 4,450 at year-end fiscal 2016 to 4,850 at year-end fiscal 2017. ICICI Bank also increased its ATM network from 13,766 ATMs at year-end fiscal 2016 to 13,882 ATMs at year-end fiscal 2017.

Other administrative expenses of our insurance subsidiaries increased primarily due to an increase in business support expenses and advertisement expenses which is in line with the increase in business volumes.

Expenses related to our insurance business

Expenses related to our insurance business include claims and benefit payouts, commission expenses and reserves for actuarial liability (including the investible portion of the premium on unit-linked policies of our life insurance business). Expenses relating to our insurance business increased by 19.0% from Rs. 232.7 billion in fiscal 2016 to Rs. 277.0 billion in fiscal 2017.

The expenses related to our life insurance subsidiary increased from Rs. 190.4 billion in fiscal 2016 to Rs. 223.7 billion in fiscal 2017 primarily due to an increase in expenses related to reserves for actuarial liability (including the investible portion of the premium on unit-linked policies) and commission expenses, offset, in part, by a decrease in claims and benefit payouts.

The reserves for the actuarial liability of the life insurance business (including the investible portion of the premium on unit-linked policies) increased from Rs. 170.8 billion in fiscal 2016 to Rs. 209.2 billion in fiscal 2017, primarily due to an increase in the volume of our unit-linked insurance business. The investible portion of the premium on linked policies of our life insurance business represents the amount of premium, including renewal premium received on linked policies of life insurance business invested, after deducting charges and the premium for risk coverage, in the underlying fund. The claims and benefit payouts and commission expenses decreased from Rs. 19.6 billion in fiscal 2016 to Rs. 14.5 billion in fiscal 2017 primarily due to lower surrenders, offset, in part, by an increase in death claims and maturity claims and higher commission expenses which is in line with the change in product-mix and an increase in total premium. In line with Indian accounting norms for insurance companies, we do not amortize the customer acquisition cost, but account for the expenses as incurred.

The expenses related to our general insurance subsidiary increased from Rs. 42.3 billion in fiscal 2016 to Rs. 53.3 billion in fiscal 2017 primarily due to an increase in claims and benefit payouts. Claims and benefit payouts increased from Rs. 39.3 billion in fiscal 2016 to Rs. 49.5 billion in fiscal 2017, reflecting an increase in business volume. The commission expenses increased from Rs. 3.0 billion in fiscal 2016 to Rs. 3.8 billion in fiscal 2017.

See also "*Business—Overview of Our Products and Services—Insurance*".

Provisions and contingencies (excluding tax provisions)

Provisions for Non-performing Assets and Restructured Loans

ICICI Bank classifies its assets, including those in overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines. ICICI Home Finance Company classifies its loans and other credit facilities in accordance with the guidelines of its regulator, the National Housing Bank. Our overseas banking subsidiaries classify a loan as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and the loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated. Under the Reserve Bank of India guidelines, non-performing assets are classified into sub-standard, doubtful and loss assets based on certain pre-defined criteria. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent the loan amount is outstanding in the host country. Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. The Reserve Bank of India has separate guidelines for restructured loans. From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period in the infrastructure sector and non-infrastructure sector) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within prescribed timelines. However, loans granted for implementation of projects in the infrastructure sector and the non-infrastructure sector that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in asset classification subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India. See also "*Business—Classification of Loans*".

ICICI Bank makes provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided for/written off as required by the Reserve Bank of India guidelines. For loans and advances of overseas branches, we make provisions as per the Reserve Bank of India regulations or host country regulations, whichever is higher. We make provisions on retail non-performing loans at the borrower level in accordance with our retail assets provisioning policy, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement. We make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured/rescheduled loans and advances at rates prescribed by the Reserve Bank of India. For standard loans and advances in overseas branches, we hold a general provision at the higher of host country regulatory requirements and the Reserve Bank of India requirements. The Bank may create floating provision for the year, in excess of the specific and general provision, as per Board approved policy. The floating provision can only be utilized with the approval of Board and the Reserve Bank of India. The Bank also holds provisions on loans under strategic debt restructuring, scheme for sustainable & stress assets and change in management outside strategic debt restructuring scheme of the Reserve Bank of India. See also "*Business—Loan portfolio—Classification of Loans*".

Non-performing Assets

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Opening balance (gross non-performing assets)	Rs. 173,870	Rs. 293,216	US$4,521	68.6 %
Add: New non-performing assets during the year	178,402	348,281	5,371	95.2
Less: Loans upgraded to performing during the year	(11,504)	(10,078)	(155)	(12.4)
Less: Recoveries (excluding recoveries made from upgraded accounts)	(15,353)	(46,401)(1)	(716)	202.2
Less: Write-offs	(32,199)	(126,157)	(1,945)	291.8
Gross non-performing assets(2)	Rs. 293,216	Rs. 458,861	US$7,076	56.5
Provisions for non-performing assets(2)	(145,431)	(188,530)	(2,907)	29.6
Net non-performing assets(2)	Rs. 147,785	Rs. 270,331	US$4,169	82.9
Gross customer assets	Rs. 5,718,339	Rs. 5,923,253	US$91,338	3.6
Net customer assets	Rs. 5,556,942	Rs. 5,720,375	US$88,209	2.9
Gross non-performing assets as a percentage of gross customer assets	5.1 %	7.7 %		
Net non-performing assets as a percentage of net customer assets	2.7 %	4.7 %		

(1) Includes non-performing assets transferred to asset reconstruction companies primarily in exchange for the receipt of securities in the form of pass through instruments.

(2) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. The corporate sector continues to be impacted due to lower than anticipated cash flow generation and high leverage. The significant decline in global commodity prices in fiscal 2015 and fiscal 2016, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. Due to the lower than projected cash flows, the progress in reducing leverage in the corporate sector has been slow. Several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, however progress remained slow. As a result, the level of non-performing loans increased significantly, including slippages from the restructured loan portfolio into non-performing status.

During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans, into non-performing status during the second half of fiscal 2016. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash due to the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans during fiscal 2017.

At year-end fiscal 2016, ICICI Bank had disclosed its fund-based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) to the iron and steel, mining, power, rigs and cement sectors and promoter entities internally rated below investment grade where the underlying was partly linked to these sectors, amounting to Rs. 440.7 billion. Of the Rs. 440.7 billion, Rs. 200.5 billion classified to non-performing category during fiscal 2017. Further, in fiscal 2017, restructured standard commercial loans amounting to Rs. 48.4 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms. In fiscal 2017, there was a devolvement of non-fund facilities amounting to Rs. 18.0 billion related to accounts classified as non-performing in prior periods. As a result, gross additions to non-performing commercial loans increased significantly from Rs. 161.4 billion in fiscal 2016 to Rs. 332.3 billion in fiscal 2017. During fiscal 2017, we upgraded non-performing commercial loans amounting to Rs. 4.7 billion and made recoveries of non-performing commercial loans amounting to Rs. 39.2 billion. During fiscal 2017, commercial loans amounting to Rs. 124.0 billion were written-off. In fiscal 2017, the Bank undertook certain steps as part of its non-performing assets strategy during the year. Certain large value non-performing loans, were sold to debt aggregators such as securitization/reconstruction companies as part of the Bank's recovery strategy and the differences between gross value of loans and the sale consideration was written-off, primarily against the allowances already held. Certain non-performing loans were written-off based on borrower-specific evaluation of the probability of recovery and collectability of the loans. This resulted in a higher level of write-off in fiscal 2017. Gross non-performing commercial loans increased from Rs. 266.4 billion at year-end fiscal 2016 to Rs. 430.8 billion at year-end fiscal 2017. There was an increase in gross non-performing assets in the cement sector by Rs. 53.8 billion, in the power sector by Rs. 46.5 billion, in the mining sector by Rs. 39.3 billion, in the iron & steel and products sector by Rs. 20.4 billion and in the construction sector by Rs. 14.7 billion.

The aggregate fund based exposure and outstanding non-fund based facilities to companies that were internally rated below investment grade in the above sectors and promoter entities decreased from Rs. 440.7 billion at year-end fiscal 2016 to Rs. 190.4 billion at year-end fiscal 2017 primarily due to classification of loans to non-performing category, net reduction in exposure and upgrade of credit ratings of loans, offset, in part, by a downgrade of credit ratings of loans. The fund based exposure and non-fund based facilities outstanding to below investment grade companies in the above sectors, amounted to Rs.190.4 billion at year-end fiscal 2017, including non-fund based facilities outstanding to companies where the fund-based facility outstanding was classified as non-performing asset in fiscal 2017. Apart from this, ICICI Bank's non-fund based facilities outstanding to borrowers classified as non-performing was Rs. 19.3 billion at year-end fiscal 2017.

Gross additions to non-performing consumer loans were Rs. 15.9 billion in fiscal 2017 as compared to Rs. 17.0 billion in fiscal 2016. During fiscal 2017, we upgraded non-performing consumer loans of Rs. 5.3 billion as compared to Rs. 6.3 billion in fiscal 2016. During fiscal 2017, we made recoveries against non-performing consumer loans of Rs. 7.2 billion and written-off loans of Rs. 2.1 billion. Gross non-performing consumer loans increased from Rs. 26.8 billion at year-end fiscal 2016 to Rs. 28.1 billion at year-end fiscal 2017.

In November 2016, the Reserve Bank of India extended the period for recognizing a loan account as non-performing by an additional period of 60 days, where dues were payable between November 1, 2016 and December 31, 2016. The guideline was applicable to working capital accounts/crop loans and term loans up to Rs. 10 million. Further, in December 2016, this benefit was extended by another 30 days, over and above the earlier period of 60 days, in case of working capital accounts/crop loans and term loans for business purposes of up to Rs. 10 million. Accordingly, at year-end fiscal 2017, the Bank has not classified Rs. 2.23 billion of such loans in the non-performing category that otherwise would have been classified as non-performing had these extensions not occurred.

As a result of above, our gross non-performing assets increased by 56.5% from Rs. 293.2 billion at year-end fiscal 2016 to Rs. 458.9 billion at year-end fiscal 2017. Our net non-performing assets increased by 82.9% from Rs. 147.8 billion at year-end fiscal 2016 to Rs. 270.3 billion at year-end fiscal 2017. The net non-performing asset ratio increased from 2.7% at year-end fiscal 2016 to 4.7% at year-end fiscal 2017.

See also "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-performing Assets*".

Restructured Loans

The following table sets forth, at the dates indicated, information regarding roll-forward and average balances of standard restructured loans.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Opening balance (gross restructured loans)	Rs. 130,787	Rs. 98,674	US$ 1,522	(24.6)%
Add: Loans restructured during the year	23,089	5,826	90	(74.8)
Add: Increase in loans outstanding in respect of previously restructured loans/borrowers	9,939	1,112	17	(88.8)
Less: Loans upgraded to standard category during the year	(78)	-	(-)	(100.0)
Less: Loans downgraded to non-performing category during the year	(53,002)	(48,428)	(747)	(8.6)
Less: Repayments during the year	(12,061)	(6,329)	(98)	(47.5)
Gross restructured loans	Rs. 98,674	Rs. 50,855	US$ 784	(48.5)
Provisions for restructured loans	(7,581)	(3,012)	(46)	(60.3)
Net restructured loans	Rs. 91,093	Rs. 47,843	US$ 738	(47.5)
Average balance of net restructured loans[1]	Rs. 118,602	Rs. 70,350	US$ 1,085	(40.7)
Gross customer assets	Rs. 5,718,339	Rs. 5,923,253	US$ 91,338	3.6
Net customer assets	Rs. 5,556,942	Rs. 5,720,375	US$ 88,209	2.9
Gross restructured loans as a percentage of gross customer assets	1.7 %	0.9 %		
Net restructured loans as a percentage of net customer assets	1.6 %	0.8 %		

(1) The average balance is the average of quarterly balances outstanding at the end of March of the previous year and June, September, December and March of the current year.

(2) Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a borrower where any of the loan facilities have been restructured.

During fiscal 2017, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 6.9 billion, as compared to Rs. 33.0 billion during fiscal 2016. Further, during fiscal 2017, restructured standard loans amounting to Rs. 48.4 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 53.0 billion during fiscal 2016. Restructured loans amounting to Rs. 6.3 billion were repaid in fiscal 2017 as compared to Rs. 12.1 billion in fiscal 2016. The gross outstanding standard restructured loans decreased from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 50.9 billion at year-end fiscal 2017 and the net outstanding restructured loans decreased from Rs. 91.1 billion at year-end fiscal 2016 to Rs. 47.8 billion at year-end fiscal 2017.

Further, at year-end fiscal 2017, ICICI Bank’s outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 16.9 billion.

The net standard restructured loans, as a percentage, decreased from 1.6% at year-end fiscal 2016 to 0.8% at year-end fiscal 2017. The outstanding provision on restructured loans (including the provision for funded interest) decreased from Rs. 7.6 billion at year-end fiscal 2016 to Rs. 3.0 billion at year-end fiscal 2017. *See also* "*Operating and Financial Review and Prospects—Provisions for Non-performing Assets and Restructured Loans*".

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 117.8 billion, or 30.1%, from Rs. 391.9 billion at year-end fiscal 2016 to Rs. 509.7 billion at year-end fiscal 2017. The aggregate net non-performing assets and net restructured loans increased by Rs. 79.3 billion, or 33.2%, from Rs. 238.9 billion at year-end fiscal 2016 to Rs. 318.2 billion at year-end fiscal 2017.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring and change in management, which provide for a standstill period during which the loan continues to be classified as standard even if the default in payment of interest or principal would otherwise have required the loan to be classified as non-performing. At year-end fiscal 2017, we had implemented strategic debt restructuring in respect of standard loans aggregating Rs. 52.4 billion, including loans amounting to Rs. 16.6 billion classified as restructured. In addition, strategic debt restructuring had been invoked and was pending implementation for standard loans of Rs. 12.1 billion at year-end fiscal 2017, including loans amounting to Rs. 6.6 billion classified as restructured.

The Reserve Bank of India had issued guidelines in fiscal 2015 permitting banks to refinance long-term project loans to infrastructure and other core industries at periodic intervals without such refinancing being considered as restructuring. The amount of loans for which this refinancing scheme had been implemented was Rs. 48.9 billion at year-end fiscal 2017, out of which Rs. 26.8 billion was classified as standard. See also "*Supervision and Regulation—Regulations Relating to Advancing Loans*".

Apart from the strategic debt restructuring scheme, the Reserve Bank of India has issued guidelines with respect to loans to borrowers, whose ownership is undergoing change outside the strategic debt restructuring framework. The Reserve Bank of India guidelines allow the stand-still benefit in line with strategic debt restructuring scheme. ICICI Bank had initiated the process of change of ownership outside strategic debt restructuring for a borrower with gross loans outstanding of about Rs. 51.1 billion at year-end fiscal 2017.

During fiscal 2017, the Reserve Bank of India has introduced the scheme for sustainable structuring of stressed assets (S4A) and issued guidelines which seek to strengthen banks' ability to undertake resolution of large borrower accounts that are facing financial difficulties on account of delays in completing large projects. The scheme aims at enabling lenders to initiate deep financial restructuring, subject to fulfillment of certain conditions, for sustainable revival of projects. The scheme envisages bifurcation of the current dues of a borrower into sustainable debt and other than sustainable debt as per an independent study of the viability of the borrower's operations. The scheme also envisages that the asset classification of the borrower as on a 'reference date' (date in which the lenders jointly decide to invoke the scheme) will continue for a period of 180 days (stand-still period). At year-end fiscal 2017, ICICI Bank implemented the scheme for sustainable structuring of stressed assets in two standard borrower accounts with an aggregate balance outstanding of about Rs. 2.9 billion, comprising Rs. 1.6 billion of sustainable debt and Rs. 1.4 billion of unsustainable debt.

In fiscal 2017, we sold commercial loans of 35 borrowers with aggregate book value (net of provision) of Rs. 37.1 billion to asset reconstruction companies. In fiscal 2016, we had sold commercial loans of seven borrowers with aggregate book value (net of provision) of Rs. 6.7 billion to asset reconstruction companies. See also "*Business—Classification of Loans—Non-Performing Asset Strategy*".

Provisions and contingencies

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Provision for investments (net)	Rs. 2,985	Rs. 9,364	US$ 144	213.7 %
Provision for non-performing and other assets	77,189	157,453	2,428	104.0
Collective contingency and related reserve	36,000	-	-	(100.0)
Provision for standard assets	3,176	(3,734)	(57)	N/M
Others	3,704	2,742	42	(26.0)
Total provisions and contingencies (excluding tax)	Rs. 123,054	Rs. 165,825	US$ 2,557	34.8 %

N/M- Not meaningful

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Provisions and contingencies increased by 34.8% from Rs. 123.1 billion in fiscal 2016 to Rs. 165.8 billion in fiscal 2017. This increase was primarily due to an increase in provisions for non-performing assets. Provisions for non-performing loans and other assets increased from Rs. 77.2 billion in fiscal 2016 to Rs. 157.5 billion in fiscal 2017 primarily due to significantly higher additions to non-performing assets in the corporate and small and medium enterprises loan portfolio including downgrades from the restructured loan portfolio, cases where strategic debt restructuring has been invoked/implemented and specific provision on certain standard loans. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans and provisions during fiscal 2017.

During fiscal 2017, in accordance with the Reserve Bank of India guidelines, the Bank had created floating provisions aggregating to Rs. 15.2 billion which were subsequently utilized during the fiscal by allocating it to specific non-performing loans.

ICICI Bank had disclosed its fund-based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) at year-end fiscal 2016 to certain sectors and promoter entities internally rated below investment grade where the underlying was partly linked to these sectors. In view of the uncertainties relating to these sectors and the time that it might take to resolve the Bank's exposure to these sectors, the Bank had made a collective contingency and related reserve in fiscal 2016 amounting to Rs. 36.0 billion towards these exposures to these sectors. This reserve was over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under the Reserve Bank of India guidelines and Indian GAAP. During fiscal 2017, ICICI Bank re-allocated the full amount of the collective contingency and related reserve towards the provisions for loans and fixed assets acquired in partial satisfaction of loans.

The Bank's provisioning coverage ratio (specific provisions as a percentage of non-performing advances) at year-end fiscal 2017, computed in accordance with the Reserve Bank of India guidelines, was 40.2%.

See also "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-Performing Assets*" and "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Restructured Loans*".

Provision for standard assets decreased from a provision of Rs. 3.2 billion in fiscal 2016 to a reversal of provision of Rs. 3.7 billion in fiscal 2017 primarily due to higher slippages from standard assets to non-performing assets and invocation of strategic debt restructuring in certain standard assets, where the Bank makes specific provision in accordance with the Reserve Bank of India guidelines. We held a cumulative general provision of Rs. 25.5 billion at year-end fiscal 2017 compared to Rs. 29.2 billion (excluding the collective contingency and related reserve) at year-end fiscal 2016.

Provision for investments increased from Rs. 3.0 billion in fiscal 2016 to Rs. 9.4 billion in fiscal 2017 primarily due to provisions on security receipts and equity shares acquired on conversion of loans.

Tax Expense

Income tax expense decreased by 26.9% from Rs. 33.8 billion in fiscal 2016 to Rs. 24.7 billion in fiscal 2017. The effective tax rate decreased from 23.6% in fiscal 2016 to 17.9% in fiscal 2017 primarily due to a decrease in the effective tax rate of the Bank, offset, in part, by higher profit before taxes in domestic subsidiaries.

Income tax expense of the Bank decreased by 40.2% from Rs. 24.7 billion in fiscal 2016 to Rs. 14.8 billion in fiscal 2017. The effective tax rate of the Bank decreased from 20.3% in fiscal 2016 to 13.1% in fiscal 2017 primarily due to long-term capital gain from sale of shares of ICICI Prudential Life Insurance Company, which is exempt from income tax.

Income tax expenses of our asset management subsidiary increased from Rs. 1.7 billion in fiscal 2016 to Rs. 2.6 billion in fiscal 2017 and our securities dealership subsidiary from Rs. 1.1 billion in fiscal 2016 to Rs. 2.2 billion in fiscal 2017.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Cash and cash equivalents	Rs. 650,359	Rs. 804,909	US$ 12,412	23.8 %
Investments	2,860,441	3,045,017	46,955	6.5
Advances (net of provisions)	4,937,291	5,153,173	79,463	4.4
Fixed assets	87,135	93,380	1,440	7.2
Other assets	652,336	763,948	11,780	17.1
Total assets	Rs. 9,187,562	Rs. 9,860,427	US$ 152,050	7.3 %

Our total assets increased by 7.3% from Rs. 9,187.6 billion at year-end fiscal 2016 to Rs. 9,860.4 billion at year-end fiscal 2017 primarily due to an increase in net advances, investments and cash and cash equivalents. Net advances increased by 4.4% from Rs. 4,937.3 billion at year-end fiscal 2016 to Rs. 5,153.2 billion at year-end fiscal 2017. Investments increased by 6.5% from Rs. 2,860.4 billion at year-end fiscal 2016 to Rs. 3,045.0 billion at year-end fiscal 2017. Cash and cash equivalents increased by 23.8% from Rs. 650.4 billion at year-end fiscal 2016 to Rs. 804.9 billion at year-end fiscal 2017.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with the Reserve Bank of India and other banks, including money at call and short notice. Cash and cash equivalents increased from Rs. 650.4 billion at year-end fiscal 2016 to Rs. 804.9 billion at year-end fiscal 2017 primarily due to an increase in money lent at call and short notice and balances with the Reserve Bank of India. Money at call and short notice increased primarily due to significantly higher inflows consequent to the withdrawal of legal tender status of high denomination currency notes by the government of India.

Investments

Total investments increased by 6.5% from Rs. 2,860.4 billion at year-end fiscal 2016 to Rs. 3,045.0 billion at year-end fiscal 2017. Investments of ICICI Bank increased from Rs. 1,604.1 billion at year-end fiscal 2016 to Rs. 1,615.1 billion at year-end fiscal 2017 primarily due to an increase in investments in pass through certificates, security receipts and commercial paper, offset, in part, by a decrease in investments in certificate of deposits and government securities.

Investments of ICICI Prudential Life Insurance Company increased from Rs. 1,023.3 billion at year-end fiscal 2016 to Rs. 1,204.1 billion at year-end fiscal 2017. Investments held to cover linked liabilities increased from Rs. 753.0 billion at year-end fiscal 2016 to Rs. 878.8 billion at year-end fiscal 2017 primarily due to an increase in investment in equity shares and corporate bonds. Investments, other than investments held to cover linked liabilities, increased from Rs. 270.3 billion at year-end fiscal 2016 to Rs. 325.3 billion at year-end fiscal 2017 primarily due to an increase in investment in government securities, equity shares and corporate bonds.

Investments of ICICI Lombard General Insurance Company increased from Rs. 112.8 billion at year-end fiscal 2016 to Rs. 148.0 billion in fiscal 2017 primarily due to an increase in investment in debentures, bonds and equity investments.

Investments of ICICI Securities Primary Dealership Limited decreased from Rs. 139.0 billion at year-end fiscal 2016 to Rs. 94.9 billion in fiscal 2017 primarily due to the sale of government securities to capture market opportunities.

Investments of ICICI Bank UK decreased by 10.0% from Rs. 49.3 billion at year-end fiscal 2016 to Rs. 44.3 billion at year-end fiscal 2017 primarily due to the maturity of certain investments in government securities. ICICI Bank Canada's investment portfolio increased by 6.1% from Rs. 30.7 billion at year-end fiscal 2016 to Rs. 32.6 billion at year-end fiscal 2017 primarily due to deployment of additional liquidity in bankers' acceptances.

Our total investment in Indian government securities decreased from Rs. 1,436.8 billion at year-end fiscal 2016 to Rs. 1,401.5 billion at year-end fiscal 2017.

At year-end fiscal 2017, the Bank had an outstanding net investment of Rs. 32.9 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets, compared to Rs. 7.9 billion at year-end fiscal 2016. See also "*Business—Overview of Our Products and Services—Treasury*".

Advances

Net advances increased by 4.4% from Rs. 4,937.3 billion at year-end fiscal 2016 to Rs. 5,153.2 billion at year-end fiscal 2017 primarily due to an increase in retail advances.

Net advances of the Bank increased by 6.7% from Rs. 4,352.6 billion at year-end fiscal 2016 to Rs. 4,642.3 billion at year-end fiscal 2017. Net domestic retail advances of ICICI Bank increased by 18.5% from Rs. 2,027.9 billion at year-end fiscal 2016 to Rs. 2,403.1 billion at year-end fiscal 2017 primarily due to an increase in the home loans, rural loans, personal loans and automobile loan portfolios. Net advances of the overseas branches of ICICI Bank decreased by 20.1% from Rs. 938.1 billion at year-end fiscal 2016 to Rs. 749.9 billion at year-end fiscal 2017. Net advances of ICICI Home Finance increased by 2.9% from Rs. 86.3 billion at year-end fiscal 2016 to Rs. 88.8 billion at year-end fiscal 2017.

Advances of ICICI Bank UK decreased from Rs. 209.1 billion at year-end fiscal 2016 to Rs. 153.9 billion at year-end fiscal 2017 primarily due to a decrease in corporate loans on account of prepayment/sell-down and maturities of retail loans against Foreign Currency Non-Resident (Bank) deposits.

Advances of ICICI Bank Canada decreased from Rs. 295.5 billion at year-end fiscal 2016 to Rs. 272.0 billion at year-end fiscal 2017 primarily due to prepayment/repayment of corporate loans in fiscal 2017. See also "*Business – Loan Portfolio*".

Fixed and other assets

Fixed assets include premises, furniture and fixtures, assets given on lease and other fixed assets. Fixed assets increased by 7.2% from Rs. 87.1 billion at year-end fiscal 2016 to Rs. 93.4 billion at year-end fiscal 2017. Other assets increased from Rs. 652.3 billion at year-end fiscal 2016 to Rs. 763.9 billion at year-end fiscal 2017 primarily due to an increase in trade receivables, deferred tax assets, non-banking assets acquired in satisfaction of claims and an increase in premium receivables of our general insurance subsidiary, offset, in part, by a decrease in rural infrastructure and development fund and related deposits. During fiscal 2017, the Bank acquired fixed assets amounting to Rs. 16.3 billion (fiscal 2016: Rs. 17.2 billion) in satisfaction of claims including debt-assets swap transactions.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Deposits	Rs. 4,510,774	Rs. 5,125,873	US$ 79,042	13.6 %
Borrowings[1]	2,203,777	1,882,868	29,034	(14.6)
Other liabilities[2]	1,498,348	1,756,713	27,089	17.2
Minority interest	33,556	48,653	750	45.0
Total liabilities	8,246,455	8,814,107	135,915	**6.9**
Equity share capital	11,632	11,651	180	0.2
Reserves and surplus[3]	929,475	1,034,669	15,955	11.3
Total liabilities (including capital and reserves)	Rs. 9,187,562	Rs. 9,860,427	US$ 152,050	7.3 %

(1) Includes subordinated debt and redeemable non-cumulative preference shares.

(2) Includes proposed dividend (including corporate dividend tax) of Rs. 32.9 billion for fiscal 2016. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for proposed dividend for fiscal 2017, which was paid in fiscal 2018, in the financial statements for fiscal 2017.

(3) Includes employees' stock options outstanding.

Our total liabilities (including capital and reserves) increased by 7.3% from Rs. 9,187.6 billion at year-end fiscal 2016 to Rs. 9,860.4 billion at year-end fiscal 2017, primarily due to an increase in deposits and other liabilities, offset, in part, by a decrease in borrowings.

Deposits

Deposits increased by 13.6% from Rs. 4,510.8 billion at year-end fiscal 2016 to Rs. 5,125.9 billion at year-end fiscal 2017. Deposits of ICICI Bank increased by 16.3% from Rs. 4,214.3 billion at year-end fiscal 2016 to Rs. 4,900.4 billion at year-end fiscal 2017 primarily due to significantly higher current account and saving account deposits inflows post the withdrawal of legal tender status of high denomination currency notes by the government of India, offset, in part, by redemption of about US$ 1.75 billion of foreign currency non-resident bank deposits mobilized during fiscal 2014. Savings account deposits increased by 28.0% from Rs. 1,342.3 billion at year-end fiscal 2016 to

Rs. 1,718.4 billion at year-end fiscal 2017 and current account deposits increased by 27.4% from Rs. 588.7 billion at year-end fiscal 2016 to Rs. 749.8 billion at year-end fiscal 2017. Term deposits increased by 6.5% from Rs. 2,283.3 billion at year-end fiscal 2016 to Rs. 2,432.2 billion at year-end fiscal 2017. The current account and savings account deposits increased from Rs. 1,931.0 billion at year-end fiscal 2016 to Rs. 2,468.2 billion at year-end fiscal 2017. Deposits of overseas branches decreased by 37.1% from Rs. 110.0 billion at year-end fiscal 2016 to Rs. 69.2 billion at year-end fiscal 2017. At year-end fiscal 2017, deposits of the Bank formed 76.9% of the funding (i.e., deposits and borrowings, including subordinated debt and redeemable non-cumulative preference shares). See also *"Business—Funding"*.

Deposits of ICICI Bank Canada decreased from Rs. 140.0 billion at year-end fiscal 2016 to Rs. 124.2 billion at year-end fiscal 2017, primarily due to a decrease in term deposits, offset, in part, by an increase in current deposits. Term deposits decreased from Rs. 101.9 billion at year-end fiscal 2016 to Rs. 84.9 billion at year-end fiscal 2017. Current account deposits increased from Rs. 7.2 billion at year-end fiscal 2016 to Rs. 10.1 billion at year-end fiscal 2017.

Deposits of ICICI Bank UK decreased from Rs. 163.4 billion at year-end fiscal 2016 to Rs. 106.9 billion at year-end fiscal 2017, primarily due to a decrease in institutional deposits, retail term and saving deposits, offset, in part, by an increase in corporate term deposits.

Borrowings

Borrowings decreased by 14.6% from Rs. 2,203.8 billion at year-end fiscal 2016 to Rs. 1,882.9 billion at year-end fiscal 2017. Borrowings of ICICI Bank decreased by 15.6% from Rs. 1,748.1 billion at year-end fiscal 2016 to Rs. 1,475.6 billion at year-end fiscal 2017, primarily due to a decrease in call and term money borrowings, refinance borrowings, borrowings with the Reserve Bank of India under liquidity adjustment facility and subordinated bond borrowings, offset, in part, by an increase in bond borrowings. Net borrowings of overseas branches decreased by 16.3% from Rs. 959.8 billion at year-end fiscal 2016 to Rs. 803.5 billion at year-end fiscal 2017.

Borrowings of ICICI Bank UK decreased from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 81.2 billion at year-end fiscal 2017 primarily due to a decrease in repo borrowings. Borrowings of ICICI Bank Canada decreased from Rs. 153.8 billion at year-end fiscal 2016 to Rs. 150.9 billion at year-end fiscal 2017. Borrowings of ICICI Bank Home Finance Company decreased marginally from Rs. 74.5 billion at year-end fiscal 2016 to Rs. 74.2 billion at year-end fiscal 2017. See also "*Business—Funding*".

Other liabilities

Other liabilities primarily consist of liabilities on insurance policies in force pertaining to our insurance subsidiaries and proposed dividend including corporate dividend tax. Other liabilities increased by 17.2% from Rs. 1,498.3 billion at year-end fiscal 2016 to Rs. 1,756.7 billion at year-end fiscal 2017, primarily due to an increase in liabilities on policies in force of our life insurance business by Rs. 184.4 billion from Rs. 970.5 billion at year-end fiscal 2016 to Rs. 1,155.0 billion at year-end fiscal 2017.

Other liabilities in fiscal 2016 included proposed dividends (including corporate dividend tax) of Rs. 32.9 billion. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for proposed dividend for fiscal 2017, which was paid in fiscal 2018, in the financial statements for fiscal 2017. In India, dividends declared for a fiscal year are normally paid in the following year. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which was paid in fiscal 2017. We declared a dividend of Rs. 2.50 per equity share for fiscal 2017, which has been paid in fiscal 2018.

Equity share capital and reserves

Stockholders' equity increased from Rs. 941.1 billion at year-end fiscal 2016 to Rs. 1,046.3 billion at year-end fiscal 2017 primarily due to the annual accretion to reserves out of profit.

Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for proposed dividend for fiscal 2017, which was paid in fiscal 2018, in the financial statements for fiscal 2017. Accordingly, the proposed dividend has not been reduced from the net worth at March 31, 2017.

Fiscal 2016 to Fiscal 2015

Summary

Operating profit before provisions increased by 16.3% from Rs. 228.7 billion in fiscal 2015 to Rs. 266.1 billion in fiscal 2016 primarily due to an increase in net interest income and non-interest income, offset, in part, by an increase in non-interest expenses.

Net interest income increased by 11.7% from Rs. 226.5 billion in fiscal 2015 to Rs. 253.0 billion in fiscal 2016 reflecting an increase of 12.4% in the average volume of interest-earning assets.

Non-interest income increased by 19.4% from Rs. 352.5 billion in fiscal 2015 to Rs. 421.0 billion in fiscal 2016 primarily due to an increase in income from treasury-related activities and premium and other operating income of our insurance subsidiaries. Income from treasury-related activities for fiscal 2016 included gains from sale of shares of ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited amounting to Rs. 28.7 billion. Premium and other operating income of our insurance subsidiaries increased by 19.5% from Rs. 220.8 billion in fiscal 2015 to Rs. 263.8 billion in fiscal 2016 primarily reflecting an increase in business volume.

Non-interest expenses increased by 16.5% from Rs. 350.2 billion in fiscal 2015 to Rs. 407.9 billion in fiscal 2016, primarily due to an increase in expenses pertaining to insurance business and other operating expenses.

Provisions and contingencies (excluding provision for tax) increased from Rs. 45.4 billion in fiscal 2015 to Rs. 123.1 billion in fiscal 2016. This increase was primarily due to an increase in provisions for non-performing assets and collective contingency and related reserve. The net non-performing assets ratio increased from 1.5% at year-end fiscal 2015 to 2.7% at year-end fiscal 2016. Provisions for non-performing assets are likely to remain elevated in the near term due to high corporate sector leverage, slow improvement in corporate cash flows, the time required for resolution of stressed assets and the evolving regulatory approach.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the Bank's exposure to these sectors, we made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under the Reserve Bank of India guidelines and Indian GAAP.

The income tax expense (including wealth tax) decreased by 37.4% from Rs. 54.0 billion in fiscal 2015 to Rs. 33.8 billion in fiscal 2016 primarily due to lower tax applicable on sale of equity investments and set-off of capital losses carried forward from earlier periods.

As a result of the above, the profit after tax decreased by 16.9% from Rs. 122.5 billion in fiscal 2015 to Rs. 101.8 billion in fiscal 2016.

Net worth (equity share capital and reserves and surplus) increased from Rs. 847.0 billion at year-end fiscal 2015 to Rs. 941.1 billion at year-end fiscal 2016 primarily due to accretion to reserves from profit for the year and creation of revaluation reserves on fixed assets. Total assets increased by 11.2% from Rs. 8,260.8 billion at year-end fiscal 2015 to Rs. 9,187.6 billion at year-end fiscal 2016. Total deposits increased by 16.9% from Rs. 3,859.6 billion at year-end fiscal 2015 to Rs. 4,510.8 billion at year-end fiscal 2016. Savings account deposits increased by 18.3% from Rs. 1,221.1 billion at year-end fiscal 2015 to Rs. 1,444.6 billion at year-end fiscal 2016. Current account deposits increased by 19.6% from Rs. 504.6 billion at year-end fiscal 2015 to Rs. 603.4 billion at year-end fiscal 2016. Term deposits increased by 15.4% from Rs. 2,133.9 billion at year-end fiscal 2015 to Rs. 2,462.8 billion at year-end fiscal 2016. The current account and savings account ratio (ratio of current account and saving account deposit to total deposit) increased from 44.7% at year-end fiscal 2015 to 45.4% at year-end fiscal 2016. Total advances increased by 12.6% from Rs. 4,384.9 billion at year-end fiscal 2015 to Rs. 4,937.3 billion at year-end fiscal 2016. Our retail advances increased by 21.9% from Rs. 1,956.9 billion at year-end fiscal 2015 to Rs. 2,385.7 billion at year-end fiscal 2016.

ICICI Bank's branch network in India increased from 4,050 branches at year-end fiscal 2015 to 4,450 branches at year-end fiscal 2016. The ATM network of the Bank increased from 12,451 ATMs at year-end fiscal 2015 to 13,766 ATMs at year-end fiscal 2016.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2016 were: common equity Tier 1 risk-based capital ratio of 13.0%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2016 were: common equity Tier 1 risk-based capital ratio of 12.9%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Interest income(1)	Rs. 549,640	Rs. 592,937	US$ 9,143	7.9 %
Interest expense	(323,182)	(339,965)	(5,242)	5.2 %
Net interest income	Rs. 226,458	Rs. 252,972	US$ 3,901	11.7 %

(1) Tax exempt income has not been re-calculated on a tax-equivalent basis.

Net interest income increased by 11.7% from Rs. 226.5 billion in fiscal 2015 to Rs. 253.0 billion in fiscal 2016, reflecting an increase of 13.2% in the average volume of interest-earning assets.

Net interest margin

Net interest margin decreased by three basis points from 3.55% in fiscal 2015 to 3.52% in fiscal 2016. Net interest margin on the rupee portfolio decreased by 13 basis points from 4.54% in fiscal 2015 to 4.41% in fiscal

2016 and net interest margin on foreign currency portfolio increased by 16 basis points from 0.58% in fiscal 2015 to 0.74% in fiscal 2016.

The yield on the rupee portfolio decreased by 44 basis points from 9.97% in fiscal 2015 to 9.53% in fiscal 2016 primarily due to the following:

- The yield on rupee advances decreased by 75 basis points from 12.09% in fiscal 2015 to 11.34% in fiscal 2016. The yield on rupee investments decreased by 28 basis points from 7.98% in fiscal 2015 to 7.70% in fiscal 2016. The yield on other interest-earning assets remained at the same level of 3.75% in both fiscal 2015 and fiscal 2016. The overall yield on the average rupee portfolio decreased by 44 basis points from 9.97% in fiscal 2015 to 9.53% in fiscal 2016 reflecting the positive impact of an increase in the proportion of average advances in total interest-earning assets.

- The yield on rupee advances decreased by 75 basis points from 12.09% in fiscal 2015 to 11.34% in fiscal 2016 primarily due to reduction in the base rate by 65 basis points, lower yield on incremental disbursements and an increase in non-performing assets in fiscal 2016, as interest income is not accrued on non-performing assets. In response to the reduction in repo rate by 125 basis points from 8.00% to 6.75% in four phases, in calendar year 2015, by the Reserve Bank of India, the Bank reduced its base rate by 65 basis points from 10.00% to 9.35% in three phases - 25 basis points with effect from April 10, 2015, 5 basis points with effect from June 26, 2015 and 35 basis points with effect from October 5, 2015. See also "*Business—Loan portfolio—Loan pricing*".

- The yield on interest-earning rupee investments decreased by 28 basis points from 7.98% in fiscal 2015 to 7.70% in fiscal 2016, primarily due to a decrease in the yield on investments reflecting softening of interest rates. The yield on statutory liquidity ratio investments decreased primarily due to softening of yield on Government securities. The yield on other than statutory liquidity ratio investments decreased primarily due to a decrease in yield on bonds and debentures, certificate of deposits, pass through certificates and commercial paper. In accordance with the Reserve Bank of India circular dated July 16, 2015, deposits in the Rural Infrastructure Development Fund and other related deposits have been re-grouped from investments to other assets. Figures for previous periods have also been re-grouped accordingly.

- The yield on other interest-earning rupee assets remained at the same level of 3.75% in both fiscal 2015 and fiscal 2016. In fiscal 2016, there was an increase in the yield on Rural Infrastructure Development Fund and other related deposits which was, offset, in part, by a decrease in yield on short-term money market lending.

- Interest on income tax refunds increased from Rs. 2.8 billion in fiscal 2015 to Rs. 3.3 billion in fiscal 2016. The receipt, amount and timing of such income depend on the nature and timing of determinations by tax authorities and are neither consistent nor predictable.

The cost of funds for the rupee portfolio decreased by 40 basis points from 7.16% in fiscal 2015 to 6.76% in fiscal 2016 primarily due to the following factors:

- The cost of rupee deposits decreased from 6.34% in fiscal 2015 to 5.99% in fiscal 2016 primarily due to an increase in proportion of average current account and savings account deposits and a decrease in the cost of rupee term deposits. The average rupee current account and savings account deposits as a percentage of total rupee deposits increased from 42.6% in fiscal 2015 to 43.4% in fiscal 2016. The cost of rupee term deposits decreased from 8.75% in fiscal 2015 to 8.21% in fiscal 2016 reflecting softening of interest rates. In fiscal 2016, the Bank reduced the term deposit rates for select maturities, effective April 10, 2015, June 27, 2015, July 13, 2015, August 22, 2015, September 23, 2015 and March 29, 2016.

- The cost of rupee borrowings decreased from 10.50% in fiscal 2015 to 9.90% in fiscal 2016. The cost of borrowings decreased primarily due to a decrease in the cost of refinance borrowings and cost of borrowing under the liquidity adjustment facility of the Reserve Bank of India.

The yield on our foreign currency portfolio decreased by 24 basis points from 4.34% in fiscal 2015 to 4.10% in fiscal 2016 primarily due to the following:

- The yield on average interest earning assets of overseas branches of ICICI Bank decreased primarily due to a decrease in the yield on average advances and average investments, offset, in part, by a decrease in the average volume of short term money lent, which generally have lower yields. The yield on average advances of overseas branches decreased primarily due to an increase in non-performing assets in fiscal 2016, as interest income is not accrued on non-performing assets.

- The yield on average interest earning assets of ICICI Bank Canada decreased primarily due to a decrease in yield on average advances. Yield on average advances decreased primarily due to an increase in the proportion of the lower yielding securitized insured mortgages portfolio.

This was, offset, in part, by an increase in yield on assets of ICICI Bank UK, which increased primarily due to an increase in higher yielding advances and a decrease in lower yielding call and term money lent.

The cost of funds for the foreign currency portfolio decreased by 36 basis points from 3.41% in fiscal 2015 to 3.05% in fiscal 2016, due to the following factors:

- The cost of funds for ICICI Bank's foreign currency funding decreased primarily due to a decrease in cost of borrowings. The cost of borrowings decreased primarily due to an increase in foreign currency term borrowings which are lower cost and re-pricing/repayment of high-cost borrowings. The decrease in cost of borrowings was partly offset by a decrease in term deposits which are lower cost.

- The cost of funds of ICICI Bank UK decreased primarily due to decrease in cost of borrowings and cost of deposits. The cost of borrowings decreased primarily due to repayment of high cost borrowings and overnight and term borrowings raised at lower cost. The cost of deposits decreased primarily due to maturities of high cost retail term deposits, offset, in part, by a decrease in lower cost institutional term deposits and retail term deposits.

- The cost of funds of ICICI Bank Canada decreased primarily due to a decrease in cost of deposits and cost of borrowings. The cost of deposits decreased on account of maturities of high cost term deposits and the cost of borrowings decreased on account of a higher proportion of lower cost insured mortgages securitization borrowings in the total borrowings.

The increase in non-performing loans in fiscal 2016 and any further increase in non-performing loans in the future would have an adverse impact on our interest income, yield on advances, net interest income and net interest margin. Further, our focus on increasing the proportion of retail loans and higher rated corporate loans, which are lower-yielding, in our portfolio would also result in lower incremental yields on advances. Accordingly, we expect that ICICI Bank's net interest margins for fiscal 2017 to be lower than the level of 3.37% reported during the three months ended March 31, 2016.

Interest-earning assets

The average volume of interest-earning assets increased by 12.4% from Rs. 6,449.2 billion in fiscal 2015 to Rs. 7,246.6 billion in fiscal 2016. The increase in interest-earning assets was primarily due to an increase in average advances by Rs. 623.3 billion and an increase in average interest-earning investments by Rs. 146.0 billion.

Average advances increased by 15.4% from Rs. 4,049.3 billion in fiscal 2015 to Rs. 4,672.6 billion in fiscal 2016. Average rupee advances increased from Rs. 2,655.8 billion in fiscal 2015 to Rs. 3,117.6 billion in fiscal 2016 primarily due to an increase in retail advances. Average foreign currency advances increased from Rs. 1,393.5 billion in fiscal 2015 to Rs. 1,555.0 billion in fiscal 2016, primarily due to the impact of the depreciation of the rupee against the U.S. dollar, an increase in the insured mortgage portfolio of ICICI Bank Canada and an increase in corporate advances of ICICI Bank UK.

Average interest-earning investments increased by 8.0% from Rs. 1,823.4 billion in fiscal 2015 to Rs. 1,969.4 billion in fiscal 2016. Average rupee investments increased from Rs. 1,746.9 billion in fiscal 2015 to Rs. 1,863.9 billion in fiscal 2016 primarily due to an increase in investments in Indian government securities by 9.0% from Rs. 1,238.1 billion in fiscal 2015 to Rs. 1,349.5 billion in fiscal 2016. Average other rupee investments increased from Rs. 508.8 billion in fiscal 2015 to Rs. 514.4 billion in fiscal 2016. Interest-earning rupee investments, other than Indian government securities include investments in corporate bonds and debentures, certificates of deposits, commercial paper, pass through certificates and liquid mutual funds. Average foreign currency investments increased from Rs. 76.5 billion in fiscal 2015 to Rs. 105.5 billion in fiscal

2016 primarily due to an increase in average investments of ICICI Bank UK on account of an increase in investment in corporate bonds and rupee depreciation.

Average other interest-earning assets increased by 4.9% from Rs. 576.6 billion in fiscal 2015 to Rs. 604.7 billion in fiscal 2016 primarily due to an increase in Rural Infrastructure Development Fund and other related deposits and balances with the Reserve Bank of India, offset, in part, by a decrease in foreign currency term money lent.

Interest-bearing liabilities

Average interest-bearing liabilities increased by 11.9% from Rs. 5,445.8 billion in fiscal 2015 to Rs. 6,094.4 billion in fiscal 2016 on account of an increase in average deposits by Rs. 401.0 billion and an increase in average borrowings by Rs. 247.6 billion.

Average interest-bearing rupee liabilities increased from Rs. 3,670.9 billion in fiscal 2015 to Rs. 4,155.7 billion in fiscal 2016. Average rupee time deposits increased from Rs. 1,693.7 billion in fiscal 2015 to Rs. 1,891.6 billion in fiscal 2016. Average rupee current account and savings account deposits increased from Rs. 1,259.2 billion in fiscal 2015 to Rs. 1,448.1 billion in fiscal 2016. Average rupee borrowings increased from Rs. 718.0 billion in fiscal 2015 to Rs. 815.9 billion in fiscal 2016 primarily due to an increase in refinance borrowings, offset, in part, by a decrease in borrowings under the liquidity adjustment facility of the Reserve Bank of India.

Average interest-bearing foreign currency liabilities increased from Rs. 1,774.9 billion in fiscal 2015 to Rs. 1,938.7 billion in fiscal 2016. Average foreign currency deposits increased from Rs. 586.5 billion in fiscal 2015 to Rs. 600.7 billion in fiscal 2016. Average deposits of ICICI Bank Canada increased primarily due to an increase in average term deposits. Average deposits of ICICI Bank UK increased primarily due to the impact of the depreciation of the rupee against the U.S. dollar.

Average foreign currency borrowings increased from Rs. 1,188.3 billion in fiscal 2015 to Rs. 1,338.0 billion in fiscal 2016. The foreign currency borrowings of ICICI Bank in rupee terms increased primarily due to the impact of depreciation of the rupee against the U.S. dollar. Average borrowings of ICICI Bank Canada increased primarily on account of an increase in borrowings through securitization of mortgages. Average borrowings of ICICI Bank UK increased primarily due to an increase in inter-bank borrowings, bond borrowings, syndicated borrowings and repo borrowings. See also "*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*".

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 83,939	Rs. 87,697	US$ 1,352	4.5 %
Profit/(loss) on treasury-related activities (net)[1]	46,694	66,222	1,021	41.8
Profit/(loss) on sale of land, buildings and other assets (net)	34	264	4	N/M
Premium and other operating income from insurance business	220,771	263,840	4,068	19.5
Miscellaneous income	1,085	2,998	46	176.3
Total non-interest income	Rs. 352,523	Rs. 421,021	US$ 6,491	19.4 %

N/M- Not meaningful

(1) Includes profit/(loss) on the sale/revaluation of investments and exchange transactions.

Non-interest income primarily includes income pertaining to our insurance business, commission, exchange and brokerage income, profit/(loss) on treasury-related activities and other miscellaneous income. This analysis

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of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income increased by 19.4% from Rs. 352.5 billion in fiscal 2015 to Rs. 421.0 billion in fiscal 2016 primarily due to an increase in premium and other operating income relating to insurance business and income from treasury-related activities.

Commission, exchange and brokerage

Commission, exchange and brokerage income primarily includes fees from our banking business as well as fee and brokerage income of our securities broking, asset management and venture capital fund management subsidiaries. The fee income of our banking business primarily includes fees from corporate clients such as loan processing fees, commercial banking fees and structuring fees and fee income from retail customers includes loan processing fees, credit card fees and service charges on retail deposit accounts.

Commission, exchange and brokerage income increased by 4.5% from Rs. 83.9 billion in fiscal 2015 to Rs. 87.7 billion in fiscal 2016. Commission, exchange and brokerage income of ICICI Bank increased from Rs. 69.8 billion in fiscal 2015 to Rs. 74.6 billion in fiscal 2016. Management fees of our asset management subsidiary increased and brokerage income of our securities broking subsidiary decreased in fiscal 2016 as compared to fiscal 2015.

The commission, exchange and brokerage income of ICICI Bank increased primarily due to an increase in fee income from retail customers such as lending linked fees, credit card fees and fees from retail deposit customers. Lending related fee income from corporate clients remained muted during fiscal 2016, although there was an increase in commercial banking fees.

Management fees of our asset management subsidiary increased in fiscal 2016 primarily due to an increase in average assets under management and change in mix in favor of equity mutual funds which earns higher fees. Brokerage income of our securities broking subsidiary decreased in fiscal 2016 as compared to fiscal 2015 primarily due to lower trading volumes in Indian equity markets in fiscal 2016.

Income from treasury-related activities (net)

Income from treasury-related activities includes income from the sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share portfolio, units of venture capital and private equity funds, units of mutual funds and security receipts issued by asset reconstruction companies. Further, it also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions with clients, including options and swaps. Income from treasury-related activities increased by 41.8% from Rs. 46.7 billion in fiscal 2015 to Rs. 66.2 billion in fiscal 2016 primarily due to gains on sale of 6% share in ICICI Prudential Life Insurance Company Limited and 9% shareholding in ICICI Lombard General Insurance Company Limited, offset, in part, by lower gains on government securities and other fixed income positions.

Our profit on the equity portfolio increased from Rs. 3.3 billion in fiscal 2015 to Rs. 28.7 billion in fiscal 2016 primarily due to gains on sale of shares of ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited.

Our profit on the government securities portfolio and other fixed income positions decreased from Rs. 16.1 billion in fiscal 2015 to Rs. 14.9 billion in fiscal 2016. In fiscal 2015, the yield on 10-year government securities declined by 107 basis points resulting in higher trading opportunities compared to a decrease of 28 basis points in fiscal 2016. Our income from foreign exchange transactions including transactions with clients and margins on derivatives transactions with clients increased from Rs. 18.5 billion in fiscal 2015 to Rs. 22.9 billion in fiscal 2016. This includes net exchange gain relating to overseas operations, which increased from Rs. 6.4 billion in fiscal 2015 to Rs. 9.4 billion in fiscal 2016. The exchange gain arose from repatriation of retained earnings from overseas branches.

Income relating to our insurance business

Income from our insurance business increased by 19.5% from Rs. 220.8 billion in fiscal 2015 to Rs. 263.8 billion in fiscal 2016 due to an increase in income from both our life insurance and general insurance business. Income from our life insurance business increased from Rs. 172.8 billion in fiscal 2015 to Rs. 210.0 billion in fiscal 2016. Income from our general insurance business increased from Rs. 48.0 billion in fiscal 2015 to Rs.

53.8 billion in fiscal 2016. Income from our insurance business includes net premium income, fee and commission income, surrender charges and income on foreclosure of policies.

Net premium income of our life insurance subsidiary increased from Rs. 151.5 billion in fiscal 2015 to Rs. 189.8 billion in fiscal 2016. The premium income (gross of premium on reinsurance ceded) of ICICI Prudential Life Insurance Company increased by 25.2% from Rs. 153.1 billion in fiscal 2015 to Rs. 191.6 billion in fiscal 2016 primarily due to an increase in retail renewal premium. Retail renewal premium increased by 25.3% from Rs. 95.7 billion in fiscal 2015 to Rs. 120.0 billion in fiscal 2016. Retail new business premium increased by 10.7% from Rs. 49.3 billion in fiscal 2015 to Rs. 54.5 billion in fiscal 2016. Group premium increased from Rs. 8.0 billion in fiscal 2015 to Rs. 17.1 billion in fiscal 2016.

Fee and other life insurance related income of our life insurance subsidiary decreased from Rs. 21.3 billion in fiscal 2015 to Rs. 20.3 billion in fiscal 2016 primarily due to a decrease in surrender charges, foreclosure income and policy fees, offset, in part, by an increase in fund management charges and mortality charges.

The net premium income of our general insurance subsidiary increased from Rs. 41.0 billion in fiscal 2015 to Rs. 46.7 billion in fiscal 2016 primarily due to an increase in weather and motor insurance business.

Commission income of our general insurance subsidiary increased marginally from Rs. 7.0 billion in fiscal 2015 to Rs. 7.1 billion in fiscal 2016.

Miscellaneous income

Miscellaneous income increased from Rs. 1.1 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change

	(in millions, except percentages)			
Payments to and provisions for employees	Rs. 65,683	Rs. 69,123	US$ 1,066	5.2 %
Depreciation on own property	7,632	8,239	127	8.0
Auditor's fees and expenses	222	230	4	3.6
Depreciation on leased assets	351	192	3	(45.3)
Expenses pertaining to insurance business	191,640	232,710	3,588	21.4
Other administrative expenses	84,700	97,402	1,502	15.0
Total non-interest expenses	Rs. 350,228	Rs. 407,896	US$ 6,290	16.5 %

Non-interest expense primarily includes expenses relating to our insurance business, payment to and provision for employees and other administrative expenses. Operating expenses increased by 16.5% from Rs. 350.2 billion in fiscal 2015 to Rs. 407.9 billion in fiscal 2016 primarily due to an increase in expenses related to insurance business, other administrative expenses and payments to and provisions for employees.

Payments to and provisions for employees

Employee expenses increased by 5.2% from Rs. 65.7 billion in fiscal 2015 to Rs. 69.1 billion in fiscal 2016. Our employee base, including sales executives, employees on fixed term contracts and interns, increased from 90,486 at year-end fiscal 2015 to 97,132 at year-end fiscal 2016.

The employee expenses of ICICI Bank increased by 5.3% from Rs. 47.5 billion in fiscal 2015 to Rs. 50.0 billion in fiscal 2016. Employee expenses increased primarily on account of higher salary due to annual increments and promotions and an increase in average staff strength, offset, in part, by lower provision for retirement benefit obligations due to movement in the discount rate linked to the yield on government securities. The employee base of ICICI Bank, including sales executives, employees on fixed term contracts and interns, increased from 67,857 employees at year-end fiscal 2015 to 74,096 employees at year-end fiscal 2016.

Employee expenses of ICICI Prudential Life Insurance Company increased by 8.7% from Rs. 6.9 billion in fiscal 2015 to Rs. 7.5 billion in fiscal 2016. Employee expenses of ICICI Lombard General Insurance Company increased by 8.8% from Rs. 3.4 billion in fiscal 2015 to Rs. 3.7 billion in fiscal 2016. The employee expenses of ICICI Securities Limited remained at the same level at Rs. 4.0 billion in both fiscal 2015 and in fiscal 2016.

Depreciation

Depreciation on owned property increased by 8.0% from Rs. 7.6 billion in fiscal 2015 to Rs. 8.2 billion in fiscal 2016 due to an increase in fixed assets with higher depreciation rates. Depreciation on leased assets decreased from Rs. 0.4 billion in fiscal 2015 to Rs. 0.2 billion in fiscal 2016.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance, direct marketing agency expenses and other expenditures. Other administrative expenses increased by 15.0% from Rs. 84.7 billion in fiscal 2015 to Rs. 97.4 billion in fiscal 2016, primarily due to an increase in expenses of ICICI Bank and our insurance subsidiaries. Other administrative expenses of ICICI Bank increased from Rs. 60.8 billion in fiscal 2015 to Rs. 69.8 billion in fiscal 2016 primarily due to an increase in the branch and ATM network and retail business volumes. The number of branches and extension counters (excluding foreign branches and offshore banking units) of ICICI Bank in India increased from 4,050 at year-end fiscal 2015 to 4,450 at year-end fiscal 2016. ICICI Bank also increased its ATM network from 12,451 ATMs at year-end fiscal 2015 to 13,766 ATMs at year-end fiscal 2016. Other administrative expenses of our insurance subsidiaries increased primarily due to an increase in advertisement expenses and other business support expenses.

Expenses related to our insurance business

Expenses related to our insurance business include claims and benefit payouts, commission expenses and reserves for actuarial liability (including the investible portion of the premium on unit-linked policies of our life insurance business). Expenses relating to our insurance business increased by 21.4% from Rs. 191.6 billion in fiscal 2015 to Rs. 232.7 billion in fiscal 2016.

The expenses related to our life insurance subsidiary increased from Rs. 154.6 billion in fiscal 2015 to Rs. 190.4 billion in fiscal 2016 primarily due to an increase in expenses related to reserves for actuarial liability (including the investible portion of the premium on unit-linked policies), claims and benefit payouts and commission expenses.

In fiscal 2016, the reserves for the actuarial liability of the life insurance business (including the investible portion of the premium on unit-linked policies) increased from Rs. 143.3 billion in fiscal 2015 to Rs. 170.8 billion in fiscal 2016, primarily due to an increase in the volume of our unit-linked insurance business. The investible portion of the premium on linked policies of our life insurance business represents the amount of premium, including renewal premium received on linked policies of life insurance business invested, after deducting charges and the premium for risk coverage, in the underlying fund. The claims and benefit payouts and commission expenses increased from Rs. 11.3 billion in fiscal 2015 to Rs. 19.6 billion in fiscal 2016, primarily due to an increase in surrender claims pertaining to group business and higher commission expenses which is in line with the increase in total premium. In line with Indian accounting norms for insurance companies, we do not amortize the customer acquisition cost, but account for the expenses as incurred.

The expenses related to our general insurance subsidiary increased from Rs. 37.0 billion in fiscal 2015 to Rs. 42.3 billion in fiscal 2016 primarily due to an increase in claims and benefit payouts. Claims and benefit payouts increased from Rs. 34.4 billion in fiscal 2015 to Rs. 39.3 billion in fiscal 2016, reflecting an increase in business and an increase in loss ratio of weather insurance business. The commission expenses increased from Rs. 2.6 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016.

See also “*Business—Overview of Our Products and Services—Insurance*”.

Provisions and contingencies (excluding tax provisions)

Provisions for Non-performing Assets and Restructured Loans

We classify our assets, including those in our overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines, except in the case of ICICI Home Finance Company and our overseas banking subsidiaries. ICICI Home Finance Company classifies its loans and other credit facilities in accordance with the guidelines of its regulator, the National Housing Bank. Our overseas banking subsidiaries classify a loan as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and the loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated. Under the Reserve Bank of India guidelines non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent the loan amount is outstanding in the host country. Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. The Reserve Bank of India has separate guidelines for restructured loans. From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period in the infrastructure sector and non-infrastructure sector) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within prescribed timelines. However, loans granted for implementation of projects in the infrastructure sector and the non-infrastructure sector that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in asset classification subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India. See also "*Business—Classification of Loans*".

We make provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided for/written off as required by the Reserve Bank of India guidelines. For loans and advances of overseas branches, we make provisions as per the Reserve Bank of India regulations or host country regulations, whichever is higher. We make provisions on retail non-performing loans at the borrower level in accordance with our retail assets provisioning policy, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement. We make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured/rescheduled loans and advances at rates prescribed by the Reserve Bank of India. For standard loans and advances in overseas branches, we hold a general provision at the higher of host country regulatory requirements and the Reserve Bank of India requirements. See also "*Business—Loan portfolio—Classification of Loans*".

Non-performing Assets

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

	At March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Opening balance (gross non-performing assets)	Rs. 122,994	Rs. 173,870	US$ 2,681	41.4 %
Add: New non-performing assets during the year	90,945	178,402	2,751	96.2
Less: Loans upgraded to performing during the year	(5,925)	(11,504)	(177)	94.2
	(14,966)	(15,353)	(237)	2.6

Less: Recoveries (excluding recoveries made from upgraded accounts)				
Less: Write-offs	(19,178)	(32,199)	(497)	67.9
Gross non-performing assets(1)	**Rs. 173,870**	**Rs. 293,216**	**US$ 4,521**	68.6
Provisions for non-performing assets(1)	(96,655)	(145,431)	(2,242)	50.5
Net non-performing assets(1)	Rs. 77,215	Rs. 147,785	US$ 2,279	91.4
Gross customer assets	5,149,278	5,718,339	88,178	11.1
Net customer assets	Rs. 5,026,019	Rs. 5,556,942	US$ 85,689	10.6
Gross non-performing assets as a percentage of gross customer assets	3.4 %	5.1 %		
Net non-performing assets as a percentage of net customer assets	1.5 %	2.7 %		

(1) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

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

From fiscal 2015, the Indian economy experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results, resulting in an increase in the level of additions to non-performing loans, including slippages from the restructured loan portfolio into non-performing status. In addition, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans into non-performing status, during fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. See also "*Business – Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers*" and "*—Executive Summary—Business environment-Trends in fiscal 2016*".

The gross additions to non-performing assets, including classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms, increased from Rs. 90.9 billion during fiscal 2015 to Rs. 178.4 billion during fiscal 2016. In fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms as compared to Rs. 45.1 billion in fiscal 2015. Non-performing assets amounting to Rs. 26.9 billion were upgraded/recovered in fiscal 2016 as compared to Rs. 20.9 billion in fiscal 2015. Non-performing assets amounting to Rs. 32.2 billion were written-off in fiscal 2016 as compared to Rs. 19.2 billion in fiscal 2015. Our gross non-performing assets increased by 68.6% from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. Our net non-performing assets increased by 91.4% from Rs. 77.2 billion at year-end fiscal 2015 to Rs. 147.8 billion at year-end fiscal 2016. The net non-performing asset ratio increased from 1.5% at year-end fiscal 2015 to 2.7% at year-end fiscal 2016.

Gross additions to non-performing commercial loans including classification of restructured loans as non-performing due to failure of the borrowers to perform as per restructured debt terms, increased from Rs. 40.8 billion in fiscal 2014 to Rs. 77.9 billion in fiscal 2015 and further to Rs. 161.4 billion in fiscal 2016. In fiscal 2016, restructured standard commercial loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms as compared to Rs. 45.1 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing commercial loans amounting to Rs. 5.2 billion and made recoveries of non-performing commercial loans amounting to Rs. 8.7 billion. During fiscal 2016, based on the borrower-specific evaluation of the possibility of further recovery, commercial loans amounting to Rs. 29.4 billion were written-off. See "*Business—Classification of Loans—Provisioning and Write-Offs—Our policy*". Gross non-performing commercial loans increased from Rs. 148.3 billion at year-end fiscal 2015 to Rs. 266.4 billion at year-end fiscal 2016. During fiscal 2016, the corporate sector continued to experience challenges due to lower than anticipated cash flow generation and high leverage. Additionally, during the year, the significant decline in commodity prices adversely impacted commodity-based sectors such as iron & steel. The power sector continued to experience challenges with respect to project completion, capacity utilization and leverage. Further, subdued capital investments in the economy impacted sectors such as construction and iron & steel. During fiscal 2016, there was an increase in gross non-performing assets in the iron & steel and products sector by Rs. 55.3 billion, power sector by Rs. 16.8 billion and construction sector by Rs. 15.0 billion.

Gross additions to non-performing consumer loans were Rs. 17.0 billion in fiscal 2016 as compared to Rs. 13.0 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing consumer loans of Rs. 6.3 billion as compared to Rs. 4.4 billion in fiscal 2015. During fiscal 2016, we made recoveries against non-performing consumer loans of Rs. 6.6 billion and written-off loans of Rs. 2.8 billion. Gross non-performing consumer loans increased from Rs. 25.5 billion at year-end fiscal 2015 to Rs. 26.8 billion at year-end fiscal 2016.

Further, at year-end fiscal 2016, ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as non-performing were Rs. 28.2 billion.

See also "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-performing Assets*".

Restructured Loans

The following table sets forth, at the dates indicated, information regarding roll-forward and average balances of standard restructured loans.

	At March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Opening balance (gross restructured loans)	Rs. 133,448	Rs. 130,787	US$ 2,017	(2.0)%
Add: Loans restructured during the year	38,965	23,089	356	(40.7)
Add: Increase in loans outstanding in respect of previously restructured loans/borrowers	11,207	9,939	153	(11.3)
Less: Loans upgraded to standard category during the year	(2,149)	(78)	(1)	(96.4)

Less: Loans downgraded to non-performing category during the year	(45,115)	(53,002)	(817)	17.5
Less: Repayments during the year	(5,569)	(12,061)	(186)	116.6
Gross restructured loans	Rs. 130,787	Rs. 98,674	US$ 1,522	(24.6)
Provisions for restructured loans	(9,458)	(7,581)	(117)	(19.8)
Net restructured loans	Rs. 121,329	Rs. 91,093	US$ 1,405	(24.9)
Average balance of net restructured loans(1)	124,816	118,602	1,829	(5.0)
Gross customer assets	5,149,278	5,718,339	88,178	11.1
Net customer assets	Rs. 5,026,019	Rs. 5,556,942	US$ 85,689	10.6
Gross restructured loans as a percentage of gross customer assets	2.5 %	1.7 %		
Net restructured loans as a percentage of net customer assets	2.4 %	1.6 %		

(1) The average balance is the average of quarterly balances outstanding at the end of March of the previous year and June, September, December and March of the current year.

(2) Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a borrower where any of the loan facilities have been restructured.

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During fiscal 2016, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 33.0 billion, as compared to Rs. 50.2 billion during fiscal 2015. Further, during fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 45.1 billion during fiscal 2015. Restructured loans amounting to Rs. 12.1 billion were repaid in fiscal 2016 as compared to Rs. 5.6 billion in fiscal 2015. The gross outstanding standard restructured loans decreased by 24.6% from Rs. 130.8 billion at year-end fiscal 2015 to Rs. 98.7 billion at year-end fiscal 2016 and the net outstanding restructured loans decreased by 24.9% from Rs. 121.3 billion at year-end fiscal 2015 to Rs. 91.1 billion at year-end fiscal 2016. Further, at year-end fiscal 2016, the ICICI Bank’s outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 44.0 billion.

Outstanding amount of standard restructured loans in the power sector decreased by Rs. 11.3 billion, services -non finance sector by Rs. 7.8 billion, drugs and pharmaceuticals sector by Rs. 7.7 billion, others sector by Rs. 3.7 billion and services – finance sector by Rs. 2.8 billion. This decrease was primarily due to classification of standard restructured loans as non-performing category due to failure of the borrowers to perform as per restructured debt terms.

In fiscal 2016, we sold seven commercial loans with aggregate book value (net of provision) of Rs. 6.7 billion to an asset reconstruction company. In fiscal 2015, we sold 14 commercial loans with aggregate book value (net of provision) of Rs. 3.3 billion to an asset reconstruction company. See also “*—Classification of Loans—Non-Performing Asset Strategy*”.

The net standard restructured loans, as a percentage, decreased from 2.4% at year-end fiscal 2015 to 1.6% at year-end fiscal 2016. At year-end fiscal 2016, the outstanding provision on restructured loans (including the provision for funded interest) decreased from Rs. 9.5 billion at year-end fiscal 2015 to Rs. 7.6 billion at year-end fiscal 2016. See also “*Operating and Financial Review and Prospects—Provisions for Non-performing Assets and Restructured Loans*”.

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 87.2 billion, or 26.8%, from Rs. 304.7 billion at year-end fiscal 2015 to Rs. 391.9 billion at year-end fiscal 2016. The aggregate net non-performing assets and net restructured loans increased by Rs. 40.4 billion, or 20.4%, from Rs. 198.5 billion at year-end fiscal 2015 to Rs. 238.9 billion at year-end fiscal 2016.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring, for conversion of debt into equity, which results in majority ownership of the borrower by banks. At year-end fiscal 2016, we had implemented strategic debt restructuring in respect of loans aggregating Rs. 29.33 billion, including loans amounting to Rs. 25.56 billion classified as non-performing or standard restructured. Further, in fiscal 2015, the Reserve Bank of India had issued guidelines permitting banks to refinance long-term project loans to infrastructure and other core industries at periodic intervals without such refinancing being considered as restructuring. The outstanding portfolio of loans for which this refinancing scheme had been implemented was Rs. 42.39 billion at year-end fiscal 2016. These are classified as standard loans. See also “*Supervision and*

Regulation—Regulations Relating to Advancing Loans".

Provisions and contingencies

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Provision for investments (net)	Rs. 4,129	Rs. 2,985	US$ 46	(27.7)%
Provision for non-performing and other assets	36,307	77,189	1,190	112.6
Collective contingency and related reserve	-	36,000	555	N/M
Provision for standard assets	3,928	3,176	49	(19.1)
Others	999	3,704	57	270.8
Total provisions and contingencies (excluding tax)	Rs. 45,363	Rs. 123,054	US$ 1,897	171.3 %

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N/M- Not meaningful

Provisions and contingencies increased from Rs. 45.4 billion in fiscal 2015 to Rs. 123.1 billion in fiscal 2016. This increase was primarily due to an increase in provisions for non-performing assets and creation of collective contingency and related reserve. Provision for non-performing loans and other assets increased from Rs. 36.3 billion in fiscal 2015 to Rs. 77.2 billion in fiscal 2016 primarily due to an increase in additions to non-performing loans in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the restructured terms.

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

Our provisioning coverage ratio (specific provisions as a percentage of non-performing advances) at year-end fiscal 2016, computed in accordance with the Reserve Bank of India guidelines, was 50.6%.

See also "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-performing Assets*" and "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Restructured Loans*".

Provision on standard assets decreased from Rs. 3.9 billion in fiscal 2015 to Rs. 3.2 billion in fiscal 2016. We held a cumulative general provision (excluding the collective contingency and related reserve) of Rs. 29.2 billion at year-end fiscal 2016 compared to Rs. 25.5 billion at year-end fiscal 2015.

Provision for investments decreased from Rs. 4.1 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016.

Tax Expense

Income tax expense decreased by 37.4% from Rs. 54.0 billion in fiscal 2015 to Rs. 33.8 billion in fiscal 2016. The effective tax rate decreased from 29.4% in fiscal 2015 to 23.6% in fiscal 2016 primarily due to a decrease in the effective tax rate of the Bank, offset, in part, by an increase in the effective tax rate of life insurance subsidiary and general insurance subsidiary.

Income tax expense of the Bank decreased by 46.8% from Rs. 46.5 billion in fiscal 2015 to Rs. 24.7 billion in fiscal 2016. The effective tax rate of the Bank decreased from 29.4% in fiscal 2015 to 20.3% in fiscal 2016 primarily due to lower tax applicable on profit on sale of equity investments and set-off of capital losses carried forward from earlier periods, which were adjusted against capital gains in fiscal 2016 for tax purpose.

The life insurance subsidiary had an aggregate tax charge of Rs. 1.9 billion in fiscal 2016 compared to an aggregate tax charge of Rs. 0.01 billion in fiscal 2015. The lower tax expense in fiscal 2015 were primarily due to tax benefit on carried forward business losses of earlier years, which were adjusted fully against the profit for fiscal 2015 for tax purposes. The income tax expense of our general insurance subsidiary increased from Rs. 1.6 billion in fiscal 2015 to Rs. 2.0 billion in fiscal 2016. The lower tax expense in fiscal 2015 were primarily due to tax benefit on carried forward business losses of earlier years, which were fully adjusted against the profit for fiscal 2015 for tax purposes and a higher proportion of tax exempt investment income.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Cash and cash equivalents	Rs.476,372	Rs.650,359	US$10,029	36.5 %
Investments[1]	2,743,108	2,860,441	44,109	4.3
Advances (net of provisions)	4,384,901	4,937,291	76,134	12.6
Fixed assets	58,712	87,135	1,344	48.4
Other assets[1]	597,699	652,336	10,059	9.1
Total assets	Rs.8,260,792	Rs.9,187,562	US$141,675	**11.2 %**

(1) In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits of Rs. 280.7 billion (At March 31, 2015: Rs. 284.5 billion) have been re-classified to line item 'Rural Infrastructure and Development Fund' under - Other Assets.

Our total assets increased by 11.2% from Rs. 8,260.8 billion at year-end fiscal 2015 to Rs. 9,187.6 billion at year-end fiscal 2016 primarily due to an increase in net advances, cash and cash equivalent and investments. Net advances increased by 12.6% from Rs. 4,384.9 billion at year-end fiscal 2015 to Rs. 4,937.3 billion at year-end fiscal 2016. Investments increased by 4.3% from Rs. 2,743.1 billion at year-end fiscal 2015 to Rs. 2,860.4 billion at year-end fiscal 2016. Cash and cash equivalents increased by 36.5% from Rs. 476.4 billion at year-end fiscal 2015 to Rs. 650.4 billion at year-end fiscal 2016.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with the Reserve Bank of India and other banks, including money at call and short notice. Cash and cash equivalents increased from Rs. 476.4 billion at year-end fiscal 2015 to Rs. 650.4 billion at year-end fiscal 2016 primarily due to an increase in money lent at call and short notice, balances with banks outside India and balances with the Reserve Bank of India.

Investments

Total investments increased by 4.3% from Rs. 2,743.1 billion at year-end fiscal 2015 to Rs. 2,860.4 billion at year-end fiscal 2016. Investments of ICICI Bank increased from Rs. 1,581.3 billion at year-end fiscal 2015 to Rs. 1,604.1 billion at year-end fiscal 2016 primarily due to an increase in investments in government securities, commercial paper and pass through certificates, offset, in part, by a decrease in investments in bonds and debentures.

Investments of ICICI Prudential Life Insurance Company increased from Rs. 984.3 billion at year-end fiscal 2015 to Rs. 1,023.3 billion at year-end fiscal 2016. Investments held to cover linked liabilities increased from Rs. 747.8 billion at year-end fiscal 2015 to Rs. 753.0 billion at year-end fiscal 2016. Investments, other than investments held to cover linked liabilities, increased from Rs. 236.5 billion at year-end fiscal 2015 to Rs. 270.3 billion at year-end fiscal 2016, reflecting an increase in business volume primarily due to an increase in investment in government securities, equity shares and certificates of deposit, offset, in part, by a decrease in investment in corporate bonds and debentures.

Investments of ICICI Lombard General Insurance Company increased from Rs. 98.2 billion at year-end fiscal 2015 to Rs. 112.8 billion in fiscal 2016 primarily due to an increase in investment in government securities and equity shares reflecting an increase in business volume.

Investments of ICICI Securities Primary Dealership Limited increased from Rs. 129.0 billion at year-end fiscal 2015 to Rs. 139.0 billion in fiscal 2016 primarily due to an increase in investment in government securities.

Our total investment in Indian government securities was Rs. 1,436.8 billion at year-end fiscal 2016, compared to Rs. 1,334.2 billion at year-end fiscal 2015.

Investments of ICICI Bank UK increased by 58.3% from Rs. 31.1 billion at year-end fiscal 2015 to Rs. 49.3 billion at year-end fiscal 2016 primarily due to an increase in investment in corporate bonds. ICICI Bank Canada's investment portfolio increased by 5.2% from Rs. 29.2 billion at year-end fiscal 2015 to Rs. 30.7 billion at year-end fiscal 2016.

At year-end fiscal 2016, the Bank had an outstanding net investment of Rs. 7.9 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets, compared to Rs. 8.4 billion at year-end fiscal 2015. See also "*Business—Overview of Our Products and Services—Treasury*".

Advances

Net advances increased by 12.6% from Rs. 4,384.9 billion at year-end fiscal 2015 to Rs. 4,937.3 billion at year-end fiscal 2016 primarily due to an increase in retail advances.

Net advances of the Bank increased by 12.3% from Rs. 3,875.2 billion at year-end fiscal 2015 to Rs. 4,352.6 billion at year-end fiscal 2016. Net retail advances of ICICI Bank increased by 23.3% from Rs. 1,664.4 billion at year-end fiscal 2015 to Rs. 2,027.9 billion at year-end fiscal 2016 primarily due to an increase in the home loans and automobile loan portfolios. Net advances of the overseas branches of ICICI Bank in U.S. dollar terms decreased by 6.0% from US$ 15.1 billion at year-end fiscal 2015 to US$ 14.2 billion at year-end fiscal 2016. However, net advances of the overseas branches of ICICI Bank in rupee terms decreased marginally from Rs. 941.2 billion at year-end fiscal 2015 to Rs. 938.1 billion at year-end fiscal 2016 primarily due to the impact of the depreciation of the rupee against the U.S. dollar. Net advances of ICICI Home Finance increased by 13.3% from Rs. 76.2 billion at year-end fiscal 2015 to Rs. 86.3 billion at year-end fiscal 2016 primarily due to an increase in retail loans.

Advances of ICICI Bank UK increased from Rs. 189.7 billion at year-end fiscal 2015 to Rs. 209.1 billion at fiscal 2016 primarily due to an increase in the corporate loan book, offset, in part, by reduction in the portfolio of foreign currency convertible bonds on account of maturities.

Advances of ICICI Bank Canada increased from Rs. 254.2 billion at year-end fiscal 2015 to Rs. 295.5 billion at fiscal 2016 primarily due to an increase in the securitized insured mortgages portfolio. See also "*Business – Loan Portfolio*".

Fixed and other assets

Fixed assets include premises, furniture and fixtures, assets given on lease and other fixed assets. Fixed assets increased by 48.4% from Rs. 58.7 billion at year-end fiscal 2015 to Rs. 87.1 billion at year-end fiscal 2016. During fiscal 2016, the Bank carried out a revaluation of premises resulting in a revaluation gain of Rs. 28.2 billion. Other assets increased from Rs. 597.7 billion at year-end fiscal 2015 to Rs. 652.3 billion at year-end fiscal 2016 primarily due to an increase in deferred tax assets and non-banking assets acquired in satisfaction of claims, offset, in part, by a decrease in mark-to-market and receivables on foreign exchange and derivative transactions. During fiscal 2016, ICICI Bank acquired fixed assets amounting to Rs. 17.2 billion in satisfaction of claims under debt-asset swap transactions with certain borrowers.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Deposits	Rs. 3,859,552	Rs. 4,510,774	US$ 69,557	16.9 %
Borrowings(1)	2,112,520	2,203,777	33,983	4.3
Other liabilities(2)	1,416,616	1,498,348	23,105	5.8
Minority interest	25,058	33,556	517	33.9
Total liabilities	7,413,746	8,246,455	127,162	**11.2**
Equity share capital	11,597	11,632	179	0.3
Reserves and surplus(3)	835,449	929,475	14,333	11.3
Total liabilities (including capital and reserves)	Rs. 8,260,792	Rs. 9,187,562	US$ 141,674	11.2 %

(1) Includes subordinated debt and redeemable non-cumulative preference shares.

(2) Includes proposed dividend (including corporate dividend tax) of Rs. 32.9 billion for fiscal 2016 (fiscal 2015: Rs. 32.7 billion).

(3) Includes employees' stock options outstanding.

Our total liabilities (including capital and reserves) increased by 11.2% from Rs. 8,260.8 billion at year-end fiscal 2015 to Rs. 9,187.6 billion at year-end fiscal 2016, primarily due to an increase in deposits and borrowings.

Deposits

Deposits increased by 16.9% from Rs. 3,859.6 billion at year-end fiscal 2015 to Rs. 4,510.8 billion at year-end fiscal 2016. Deposits of ICICI Bank increased by 16.6% from Rs. 3,615.6 billion at year-end fiscal 2015 to Rs. 4,214.3 billion at year-end fiscal 2016. Term deposits of ICICI Bank increased by 15.8% from Rs. 1,971.8 billion at year-end fiscal 2015 to Rs. 2,283.3 billion at year-end fiscal 2016. The current account and savings account deposits of ICICI Bank increased from Rs. 1,643.8 billion at year-end fiscal 2015 to Rs. 1,931.0 billion at year-end fiscal 2016. Savings account deposits increased by 16.9% from Rs. 1,148.6 billion at year-end fiscal 2015 to Rs. 1,342.3 billion at year-end fiscal 2016 and current account deposits increased by 18.9% from Rs. 495.2 billion at year-end fiscal 2015 to Rs. 588.7 billion at year-end fiscal 2016. Deposits of overseas branches, in dollar terms, decreased by 5.6% from US$ 1.8 billion at year-end fiscal 2015 to US$ 1.7 billion at year-end fiscal 2016 and, in rupee terms, decreased by 2.2% from

Rs. 112.5 billion at year-end fiscal 2015 to Rs. 110.0 billion at year-end fiscal 2016.

Deposits of ICICI Bank Canada increased from Rs. 109.3 billion at year-end fiscal 2015 to Rs. 140.0 billion at year-end fiscal 2016, primarily due to an increase in term deposits from Rs. 78.9 billion at year-end fiscal 2015 to Rs. 101.9 billion at year-end fiscal 2016 and an increase in current account deposits from Rs. 4.6 billion at year-end fiscal 2015 to Rs. 7.2 billion at year-end fiscal 2016.

Deposits of ICICI Bank UK increased from Rs. 142.8 billion at year-end fiscal 2015 to Rs. 163.4 billion at year-end fiscal 2016, primarily due to an increase in savings and current deposits, offset, in part, by a decrease in term deposits.

Our total term deposits increased from Rs. 2,133.9 billion at year-end fiscal 2015 to Rs. 2,462.8 billion at year-end fiscal 2016, while savings deposits increased from Rs. 1,221.1 billion at year-end fiscal 2015 to Rs. 1,444.6 billion at year-end fiscal 2016. At year-end fiscal 2016, deposits formed 67.2% of our funding (i.e., deposits and borrowings, including subordinated debt and redeemable non-cumulative preference shares). See also "*Business—Funding*".

Borrowings

Borrowings increased by 4.3% from Rs. 2,112.5 billion at year-end fiscal 2015 to Rs. 2,203.8 billion at year-end fiscal 2016. Borrowings of ICICI Bank increased by 1.4% from Rs. 1,724.2 billion at year-end fiscal 2015 to Rs. 1,748.1 billion at year-end fiscal 2016, primarily due to an increase in foreign currency bond borrowings, refinance borrowings and foreign currency term money borrowing, offset, in part, by a decrease in borrowings from the Reserve Bank of India under the liquidity adjustment facility. Net borrowings of overseas branches increased by 2.3% from Rs. 880.2 billion at year-end fiscal 2015 to Rs. 959.8 billion at year-end fiscal 2016.

Borrowings of ICICI Bank UK increased from Rs. 71.5 billion at year-end fiscal 2015 to Rs. 98.7 billion at year-end fiscal 2016 primarily due to an increase in inter-bank borrowings, bond borrowings and syndicated borrowings, offset, in part, by a decrease in repo borrowings.

Borrowings of ICICI Bank Canada increased from Rs. 133.8 billion at year-end fiscal 2015 to Rs. 153.8 billion at year-end fiscal 2016, primarily due to an increase in securitization of insured mortgages.

Borrowings of ICICI Bank Home Finance Company increased from Rs. 64.1 billion at year-end fiscal 2015 to Rs. 74.5 billion at year-end fiscal 2016 primarily due to an increase in unsecured bond borrowings. See also "*Business—Funding*".

Other liabilities

Other liabilities primarily consist of liabilities on insurance policies in force pertaining to our insurance subsidiaries and proposed dividend including corporate dividend tax. Other liabilities increased by 5.8% from Rs. 1,416.6 billion at year-end fiscal 2015 to Rs. 1,498.3 billion at year-end fiscal 2016, primarily due to an increase in liabilities on policies in force of our life insurance business by Rs. 34.3 billion from Rs. 936.2 billion at year-end fiscal 2015 to Rs. 970.5 billion at year-end fiscal 2016 and creation of collective contingency and related reserve of Rs. 36.0 billion, offset, in part, by a decrease in mark-to-market amount and payables on foreign exchange and derivatives transactions.

Other liabilities include proposed dividends (including corporate dividend tax) of Rs. 32.9 billion in fiscal 2016 compared to Rs. 32.7 billion in fiscal 2015. In India, dividends declared for a fiscal year are normally paid in the following year. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which were paid in fiscal 2016. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which has been paid in fiscal 2017.

Equity share capital and reserves

Stockholders' equity increased from Rs. 847.0 billion at year-end fiscal 2015 to Rs. 941.1 billion at year-end fiscal 2016 primarily due to the annual accretion to reserves out of profit and creation of revaluation reserve on fixed assets, offset, in part, by dividend proposed by the Bank for fiscal 2016. See also "*Consolidated Financial Statements-Schedules- Schedule 18-Notes forming part of the accounts- 14. Provision on Funded Interest Term Loan*".

Off Balance Sheet Items, Commitments and Contingencies

Foreign Exchange and Derivatives Contracts

We enter into foreign exchange forwards, options, swaps and other derivatives products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities.

The following table sets forth, at the dates indicated, the notional amount of foreign exchange and interest rate derivatives contracts.

	Notional principal amounts				Balance sheet fair value[1]			
	At March 31,				At March 31,			
	2015	2016	2017	2017	2015	2016	2017	2017
	(in millions)							
Interest rate products:								
Swap agreements	Rs.4,361,764	Rs.4,825,926	Rs.6,118,473	US$94,348	Rs.15,838	Rs.19,289	Rs.3,795	US$59
Others	116,734	53,847	65,252	1,006	280	(449)	150	2
Total interest rate products	Rs.4,478,498	Rs.4,879,773	Rs.6,183,725	US$95,354	Rs.16,118	Rs.18,840	Rs.3,945	US$61
Foreign exchange products:								
Forward contracts	Rs.3,035,674	Rs.3,770,911	Rs.4,446,642	US$68,568	Rs.(7,599)	Rs.1,534	Rs.(538)	US$(8)
Swap agreements	534,420	468,883	411,069	6,339	(340)	2,902	9, 062	140
Others	535,252	462,022	518,974	8,003	(2,013)	(2,608)	(2,131)	(33)
Total foreign exchange products	Rs.4,105,346	Rs.4,701,816	Rs.5,376,684	US$82,910	Rs.(9,951)	Rs.1,828	Rs.6,393	US$99

(1) Denotes the net mark-to-market impact of the derivatives and foreign exchange products on the reporting date.

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The notional principal amount of interest rate products increased from Rs. 4,879.8 billion at year-end fiscal 2016 to Rs. 6,183.7 billion at year-end fiscal 2017. The credit exposure on interest rate derivatives decreased from Rs. 79.4 billion at year-end fiscal 2016 to Rs. 78.5 billion at year-end fiscal 2017. The notional principal amount of foreign exchange products increased from Rs. 4,701.8 billion at year-end fiscal 2016 to Rs. 5,376.7 billion at year-end fiscal 2017. The credit exposure on foreign exchange derivatives increased from Rs. 206.5 billion at year-end fiscal 2016 to Rs. 218.9 billion at year-end fiscal 2017.

An interest rate swap does not entail the exchange of notional principal, and the cash flow arises because of the difference between the interest rate pay and receive portions of the swap, which is generally much lower than the notional principal of the swap. A large proportion of interest rate swaps, currency swaps and forward exchange contracts are on account of market making, which involves providing regular two-way prices to customers or inter-bank counter-parties. This results in the generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio. For example, if a transaction entered into with a customer is covered by an exactly opposite transaction entered into with another counterparty, the net market risk of the two transactions will be zero whereas the notional principal amount of the portfolio will be the sum of both transactions. We had no funded credit derivatives instruments and non-funded credit derivatives instruments at year-end fiscal 2017.

Securitization

The Bank primarily securitizes retail loans through securitization transactions involving special purpose entities, usually constituted as trusts. Post securitization of the loans, we continue to act as the servicing agent and maintain customer account relationships and service these set of loans transferred to the securitization trusts. The securitization transactions can be either with or without credit enhancement. In accordance with the Reserve Bank of India guidelines for securitization of standard assets, the Bank accounts for any loss arising from securitization immediately at the time of sale and the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by the Reserve Bank of India guidelines.

The Bank acts in different capacities and under different contracts for a consideration including as originator, liquidity facility provider, servicing agent credit enhancement provider, underwriter, senior contributor etc.

In a securitization transaction, the excess interest spreads from the underlying assets in securitization transactions are generally subordinated to provide credit enhancement. In addition to the subordination of excess interest spreads, the Bank in a separate capacity provides external credit enhancement facilities to mitigate cash flow shortfalls that may arise from the underlying asset delinquencies. These facilities include first loss credit enhancement representing the first or primary level of protection provided to bring the ratings accorded to the beneficial interests of senior contributors to investment grade. The Bank also provides second loss credit enhancement representing a subsequent level of protection provided to protect the beneficiaries against further cash flow shortfalls. The Bank has provided credit enhancement (first loss and second loss enhancement) on the securitized pools originated by the Bank and guarantees (second loss enhancement) provided to the pools originated by a third party. The Bank, in a separate capacity, provides liquidity facilities to help smoothen the timing differences faced by the special purpose vehicles between the receipt of cash flows from the underlying assets and the payments to be made to the investors. The liquidity facility enjoys a priority of claim over the future cash flows from the underlying assets, which is even senior to the claims of the senior contributors.

With respect to the securitized pools originated by the Bank, the first loss and second loss credit enhancements are provided either in the form of undertakings or cash collateral in a current account operated by the trust.

The total outstanding first loss credit enhancements at year-end fiscal 2017 were Rs. 2.2 billion and second loss credit enhancements were Rs. 1.8 billion for securitized pools originated by the Bank. With respect to the second loss guarantees provided to the third party originated pools, the outstanding at fiscal 2017 was Rs. 3.5 billion.

Our Canadian subsidiary has entered into securitization arrangements in respect of its self-originated and/or purchased (originated by third parties) insured residential mortgages, to issue National Housing Act Mortgage-backed Securities and also participates in Canada Mortgage Bonds program as a seller. The National Housing Act Mortgage-backed Securities are backed by pools of amortizing residential mortgages insured by the Canada Mortgage and Housing Corporation or approved third party insurers (which are generally guaranteed by the federal Government of Canada). The Canada Mortgage Bonds, introduced by Canada Mortgage and Housing Corporation, is a guaranteed, semi-annual coupon, bullet-maturity bond. Canada Mortgage Bonds are issued by a special purpose trust, known as Canada Housing Trust.

As required under the Canada Mortgage Bonds program, our Canadian subsidiary, as an issuer, has undertaken to remit monthly to the Central Payor and Transfer Agent the payments of principal and interest accrued and due on the mortgage loans in the pools. ICICI Bank Canada has also undertaken to make the payments to the Central Payor and Transfer Agent on the due dates even if the corresponding amounts have not been received and collected by them in respect of the pools. At year-end fiscal 2017, the outstanding balance of such securitized insured mortgages were CAD 3.1 billion.

Loan Commitments

We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated to Rs. 1,364.1 billion (including fund-based commitments fungible with non-fund-based facilities) at year-end fiscal 2017, compared to Rs. 1,498.9 billion at year-end fiscal 2016. The interest rate on a significant portion of these commitments is dependent on the lending rates prevailing on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. The estimated amounts of contracts remaining to be executed on capital projects decreased from Rs. 6.1 billion at year-end fiscal 2016 to Rs. 5.5 billion at year-end fiscal 2017.

Other Contractual Obligations

The following table sets forth certain contractual obligations at year-end fiscal 2017.

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions, except percentages)				

Long-term debt obligations	Rs. 1,588,337	Rs. 293,736	Rs. 501,119	Rs. 284,606	Rs. 508,876	
Time deposits	2,567,875	2,037,943	424,621	83,951	21,360	
Life-insurance obligations[1]	1,629,530	(51,705)	(181,343)	36,514	1,826,064	
Gratuity obligations[2]	16,518	1,779	3,269	3,327	8,143	(3)
Pension obligations[2]	10,667	942	2,337	2,388	5,000	(3)
Operating lease obligations	2,195	455	785	601	354	
Guarantees[4],[5]						
Financial guarantees	388,779	285,721	68,216	22,638	12,204	
Performance guarantees	631,185	371,748	177,326	60,375	21,736	
Total	Rs. 6,835,086	Rs. 2,940,619	Rs. 996,330	Rs. 494,400	Rs. 2,403,737	

(1) The amounts shown represent an estimate of undiscounted cash flows under life insurance contracts. The cash flows shown consist of expected benefit payments net of premiums receivable as per the contractual terms. Cash flows associated with benefit payments are projected based on assumptions for factors like mortality and investment returns. The cash flows included in the above table are different from the liabilities on policies in effect at year-end fiscal 2017 that are disclosed in the balance sheet because the liabilities are disclosed at discounted values and include an allowance for other non-contractual cash flows, such as expenses.

(2) Based on actuarial assumptions.

(3) Based on outflow estimates between five and 10 years.

(4) The amount represents maximum amount of obligation,

(5) Based on contractual maturity.

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Long-term debt obligations

Long-term debt represents debt with an original contractual maturity greater than one year. Maturity distribution is based on contractual maturity or the date, at which the debt is callable at the option of the holder, whichever is earlier. For a detailed discussion on long-term debt, see note 3 to our "Consolidated Financial Statements—Additional Notes" included herein.

Time deposits

Time deposits represent deposits with fixed maturity terms. Generally, time deposits can be withdrawn by the depositors any time before maturity, subject to certain prepayment charges.

Life insurance obligations

Life insurance obligations primarily include liabilities for life insurance policies, including both unit-linked and non-linked policies.

A unit-linked life insurance policy is a policy in which the cash value of the policy varies according to the net asset value of units (i.e., shares) in investment assets chosen by the policyholder. The unit liability is equal to the net asset value of the units in each policy as of the valuation date. The non-unit liability for linked insurance policies and the liability for non-linked life insurance policies is calculated using the gross premium method using assumptions for interest, mortality, expense and inflation. For participating policies, the assumptions are also made for future bonuses, together with allowances for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

Gratuity obligations

We provide gratuity, a defined benefit retirement plan covering all employees who retire or resign after a minimum prescribed period of continuous service. The plan provides a lump sum payment to eligible employees at retirement or termination of employment based on the respective employee's salary and years of employment with us.

The gratuity benefit is provided to employees through either an in-house fund or separate funds managed by Life Insurance Corporation of India Limited and ICICI Prudential Life Insurance Company Limited. We are responsible for settling the gratuity obligation through contribution to these funds.

Pension obligations

The Bank provides pensions—deferred retirement plans—covering certain employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. The plans provide for monthly pension payments to these employees when they retire. These payments are based on the respective employee's years of service with the Bank and applicable salary and include a cost of living adjustment. Pension funds for employees in service who previously worked at the former Bank of Madura, Sangli Bank or Bank of Rajasthan are managed in an in-house trust and the liability is funded as per actuarial valuation.

Pursuant to a master policy, the Bank purchases annuities from Life Insurance Corporation and ICICI Prudential Life Insurance Company Limited for the benefit of employees upon their retirement. These annuities provide the pension payments to retired employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan.

Operating lease obligations

We have commitments under long-term operating leases principally for premises. The following table sets forth a summary of future minimum lease rental commitments at year-end fiscal 2017.

Lease rental commitments for fiscal	(in millions)
2018	Rs.455
2019	410
2020	375
2021	350
2022	251
Thereafter	354
Total minimum lease commitments	Rs.2,195

Guarantees

As a part of our project financing and commercial banking activities, we have issued bank guarantees to support business requirements of our clients. Guarantees represent irrevocable assurances that the Bank will pay in the event a customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary, when a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary, where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years. The credit risks, as well as the operating risks, associated with bank guarantees are similar to those relating to other types of unfunded facilities. We enter into guarantee arrangements after conducting appropriate due diligence on our clients. We generally review these facilities on an annual basis. If a client's risk profile deteriorates to an unacceptable level, we may choose not to renew the guarantee upon expiry or may require additional security sufficient to protect our exposure. Guarantees decreased by 6.6% from Rs. 1,091.8 billion at year-end fiscal 2016 to Rs. 1,020.0 billion at year-end fiscal 2017.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At year-end fiscal				
	2015	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)				
Financial guarantees	Rs. 461,262	Rs. 460,968	Rs. 388,779	US$ 5,995	(15.6)%
Performance guarantees	611,080	630,784	631,185	9,733	0.1
Total guarantees	**Rs. 1,072,342**	**Rs. 1,091,752**	**Rs. 1,019,964**	**US$ 15,728**	**(6.6)%**

Financial guarantees constituted approximately 38% of our guarantee exposure at year-end fiscal 2017. Of these financial guarantees, approximately 11 % were issued towards risk participation, syndication and favoring other lenders as beneficiaries to allow our clients to avail credit assistance or credit enhancement from other lenders. The remaining financial guarantees were issued to support other business requirements of our clients, such as guarantees for the procurement of goods or guarantees in lieu of security/cash deposits. Performance guarantees constituted 62% of our guarantee exposure at year-end fiscal 2017.

Illustrative examples of client business activities requiring guarantees include: contracts to procure goods from suppliers where guarantees are obtained by clients to provide suppliers with assurance of payment in case the clients fail to pay upon receipt of goods; submission of bids for projects where guarantees are obtained by clients to provide assurance of performance of contract obligations in case the bid is awarded to them; advances against goods or services to be supplied by clients to their own customers where guarantees are obtained by clients to assure their customers of a refund of the advance in case the clients are unable to supply goods or services; guarantees provided in lieu of security deposits or cash deposits that clients would otherwise be required to maintain with stock exchanges; commodity exchanges, regulatory authorities or other bodies, or for participating in tenders or in other business contracts; and guarantees obtained by clients in favor of lenders that enable the clients to receive credit assistance or credit enhancement from lenders by providing such lenders with assurance of payment.

Upon default by a client under the terms of the guarantee, the beneficiary may exercise its rights under the guarantees, and we are obligated to honor payments to the beneficiaries. Banks and financial institutions are beneficiaries for some of our financial guarantees, so as to enable clients to receive financial assistance from these banks and financial institutions. If our clients default on such loans, the banks and financial institutions may exercise their rights under the guarantee and we are obligated to honor payments to them. Amounts that we pay to the other banks and financial institutions and do not recover from clients are subject to the Reserve Bank of India's prudential norms on income recognition, asset classification and provisioning pertaining to advances.

In some cases, we have collateral available to reimburse potential losses on our guarantees. Margins in the form of cash and fixed deposit available to us to reimburse losses realized under guarantees amounted to Rs. 85.7 billion at year-end fiscal 2017, compared to Rs. 78.7 billion at year-end fiscal 2016. Other property or security may also be available to us to cover losses under these guarantees.

Our related party guarantees amounted to Rs. 8 million at year-end fiscal 2017.

The following table sets forth the roll-forward of activity for guarantees at year-end fiscal 2017.

Particulars	Performance Guarantees	Financial Guarantees
	(in millions)	
Opening balance at April 1, 2016	Rs.630,784	Rs.460,968
Additions: Issued during the year	229,548	331,607
Deletions: Closed due to expiry/termination during the year	(222,842)	(358,880)
Invoked and paid during the year	(6,305)	(44,916)
Closing balance at year-end fiscal 2017	Rs.631,185	Rs.388,779

Capital Resources

We actively manage our capital to meet regulatory norms and current and future business needs, considering the risks in its businesses, expectations of rating agencies, shareholders and investors, and the available options of raising capital. Its capital management framework is administered by the Finance Group and the Risk Management Group under the supervision of the Board and the Risk Committee. The capital adequacy position and assessment is reported to the Board and the Risk Committee periodically.

Regulatory capital

Reserve Bank of India issued final Basel III guidelines, applicable with effect from April 1, 2013 which is implemented in a phased manner through till March 31, 2019 as per the transitional arrangement provided by the Reserve Bank of India for Basel III implementation. The Basel III rules on capital consist of measures on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing pro-cyclicality and promoting counter-cyclical buffers and addressing systemic risk and inter-connectedness.

At year-end fiscal 2017, ICICI Bank was required to maintain a minimum Common Equity Tier-1 capital ratio of 6.80%, minimum Tier-1 capital ratio of 8.30% and minimum total capital ratio of 10.30%. The minimum total capital requirement includes a capital conservation buffer of 1.25% and capital surcharge of 0.05% on account of the Bank being designated as a Domestic Systemically Important Bank. Under Pillar 1 of the Reserve Bank of India guidelines on Basel III, the Bank follows the standardized approach for measurement of credit risk, the standardized duration method for measurement of market risk and the basic indicator approach for measurement of operational risk.

Unconsolidated capital adequacy position

The following table sets forth, at the dates indicated, regulatory capital, risk-weighted assets and risk-based capital ratios computed in accordance with the Reserve Bank of India's Basel III guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAPs.

	As per the Reserve Bank of India's Basel III guidelines		
	At year-end fiscal		
	2016	2017	2017[1]
	(in millions, except percentages)		
Common equity Tier 1 capital	Rs. 789,594	858,394	US$ 13,237
Tier 1 capital	794,824	897,246	13,836
Tier 2 capital	215,127	189,409	2,920
Total capital	Rs. 1,009,951	1,086,655	US$ 16,756
Credit risk: risk-weighted assets	Rs. 5,263,179	5,266,988	US$ 81,218
Market risk: risk-weighted assets	310,412	420,249	6,480
Operational risk: risk-weighted assets	497,535	560,780	8,647
Total risk-weighted assets	Rs. 6,071,126	6,248,017	US$ 96,346
Common equity Tier 1 risk-based capital ratio	13.0 %	13.7 %	
Tier 1 risk-based capital ratio	13.1 %	14.4 %	
Tier 2 risk-based capital ratio	3.5 %	3.0 %	
Total risk-based capital ratio	16.6 %	17.4 %	

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1. The proposed dividend was reduced from capital funds though not deducted from net worth for the purpose of financial reporting at year-end fiscal 2017.

In fiscal 2017, capital funds (net of deductions) increased by Rs. 76.7 billion from Rs. 1,010.0 billion at year-end fiscal 2016 to Rs. 1,086.7 billion at year-end fiscal 2017 primarily due to inclusion of retained earnings, issuance of Additional Tier-1 capital instruments of Rs. 34.3 billion, lower deduction for investment in subsidiaries due to repatriation of capital from an overseas banking subsidiary and sale of shareholding in insurance subsidiaries, offset, in part, by a decrease in amount of innovative perpetual debt instruments upon exercising the call option by the Bank and a decrease in eligible amount of non-common equity capital due to application of Basel III grandfathering rules.

Risk-weighted assets relating to credit risk increased Rs. 3.8 billion from Rs. 5,263.2 billion at year-end fiscal 2016 to Rs. 5,267.0 billion at year-end fiscal 2017 primarily due to an increase of Rs. 149.9 billion in risk-weighted assets for on-balance sheet assets, offset, in part, by a decrease of Rs. 146.0 billion in risk-weighted assets for off-balance sheet assets. The off-balance sheet risk-weighted assets at year-end fiscal 2015 was Rs. 1,063.3 billion which reduced to Rs. 1,050.0 billion at year-end fiscal 2016 and further reduced to Rs. 903.9 billion at year-end fiscal 2017.

Risk-weighted assets relating to market risk increased by Rs. 109.8 billion from Rs. 310.4 billion at year-end fiscal 2016 to Rs. 420.3 billion at year-end fiscal 2017 primarily due to an increase in the portfolio of fixed income securities and equity investments

Risk-weighted assets relating to operational risk increased by Rs. 63.3 billion from Rs. 497.5 billion at March 31, 2016 to Rs. 560.8 billion at March 31, 2017. The operational risk capital charge is computed based on 15% of the average of the previous three financial years' gross income and is revised on an annual basis at June 30. Risk-weighted assets is arrived at by multiplying the capital charge by 12.5.

Consolidated capital adequacy position

Consolidation for regulatory capital calculations is based on the consolidated financial statements of ICICI Bank and its subsidiaries, in line with the standards on consolidated prudential reporting issued by the Reserve Bank of India. The entities considered for consolidation for regulatory capital calculations include subsidiaries, associates and joint ventures of the Bank, which carry on activities of a banking or of a financial nature as stated in the reporting guidelines prescribed by the Reserve Bank of India. Entities engaged in the insurance business and businesses not pertaining to financial services are excluded from consolidation for capital adequacy calculation. As per Basel III guidelines stipulated by the Reserve Bank of India, equity and other regulatory capital investments in the unconsolidated insurance and non-financial subsidiaries will be deducted from consolidated regulatory capital of the group.

At year-end fiscal 2017, our total risk-based capital ratios at the consolidated level as per Basel III guidelines stipulated by the Reserve Bank of India were common equity Tier 1 risk-based capital ratio of 13.8%, Tier 1 risk-based capital ratio of 14.4% and total risk-based capital ratio of 17.3% against the current requirement of minimum common equity Tier 1 capital ratio of 6.80%, a minimum Tier 1 capital ratio of 8.30% and a minimum total capital ratio of 10.30% respectively.

Internal assessment of capital

Our capital management framework includes a comprehensive internal capital adequacy assessment process conducted annually which determines the adequate level of capitalization for us to meet regulatory standards and current and future business needs, including under stress scenarios. The internal capital adequacy assessment process is formulated at both the stand alone bank level and the consolidated group level. The process encompasses capital planning for a four-year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the capital assessment process and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the risk profile and capital position. Based on our Board-approved stress testing framework, we conduct stress tests on our various portfolios and assess the impact on our capital ratios and the adequacy of our capital buffers for current and future periods. We periodically assess and refine our stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The business and capital plans and the stress testing results of the ICICI Bank entities are integrated into the internal capital adequacy assessment process.

Based on the internal capital adequacy assessment process, we determine the level of capital that needs to be maintained by considering the following in an integrated manner:

- strategic focus, business plan and growth objectives;
- regulatory capital requirements as per the Reserve Bank of India guidelines;
- assessment of material risks and impact of stress testing;
- future strategy with regard to investments or divestments in subsidiaries; and
- evaluation of options to raise capital from domestic and overseas markets, as permitted by the Reserve Bank of India from time to time.

We continue to monitor relevant developments and believe that its current robust capital adequacy position and demonstrated track record of access to domestic and overseas markets for capital raising will enable us to maintain the necessary levels of capital as required by regulations while continuing to grow our business.

Liquidity Risk

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

The goal of liquidity management is to ensure that the Bank is always in a position to efficiently meet both expected and unexpected current and future cash flow and collateral needs without negatively affecting either its daily operation or financial condition.

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the corporate and project finance and home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempts to maintain adequate liquidity at all times to meet all the requirements of our depositors and bondholders, while also meeting the credit demand of its customers.

We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management. We are required to submit a rupee gap reports for domestic operations on a fortnightly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 5.0%, 10.0%, 15.0% and 20.0% of cumulative outflows in the 1-day, up to 7-day, up to 14-day and up to 30-day time categories, respectively. We prepare a daily maturity gap analysis for the overseas operations and rupee book for the domestic operations. Our static gap analysis is also supplemented by a short-term dynamic cash-flow analysis, in order to provide the liability raising units with a fair estimate of our funding requirements in the near-term. In addition, we monitor certain liquidity ratios on a bi-monthly basis. We also monitor liquidity coverage ratio which has been applicable from January 1, 2015. We have a liquidity contingency plan in place, through which it monitors key indicators that could signal potential liquidity challenges, to enable it to take necessary measures to ensure sufficient liquidity.

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations in India are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the issuance of bonds. We also have recourse to the liquidity adjustment facility and marginal standing facility which are short-term funding arrangements provided by the Reserve Bank of India. We generally maintain a substantial portfolio of high quality liquid securities that may be sold on an immediate basis to meet our liquidity needs. We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions have touched highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. Our limit on daily borrowing is more conservative than the limit set by the Reserve Bank of India. ICICI Securities Primary Dealership, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates. However, ICICI Securities Primary Dealership being a primary dealer also has access to liquidity adjustment facility and standing liquidity facility from the Reserve Bank of India.

Our gross liquid assets consist of cash, nostro balances, overnight and other short-term money market placements, government bonds and treasury bills (including investments eligible for reserve requirements and net of borrowings on account of repurchase agreements, the liquidity adjustment facility and the marginal standing facility), corporate bonds (rated AA and above), other money market investments such as commercial paper and certificates of deposits and mutual fund investments. We deduct short-term money-market borrowings (borrowings with maturity up to 30 days) from the aggregate of these assets to determine net liquid assets.

We maintain a significant portion of our demand and time liabilities in forms required pursuant to regulatory reserve requirements imposed by the Reserve Bank of India. The Reserve Bank of India stipulates a cash reserve ratio applicable to Indian banks, which requires us to maintain an average percentage of our demand and time liabilities as a cash balance deposited with the Reserve Bank of India over 14-day period. At year-end fiscal 2017, the cash reserve ratio requirement percentage was 4.00%. In addition, cash reserves may not fall below 90% (with effect from April 16, 2016) of the required cash reserve ratio on any day during any 14-day reporting period.

The Reserve Bank of India also stipulates a statutory liquidity ratio applicable to Indian banks, which requires us to maintain a certain percentage of demand and time liabilities in certain prescribed investments. At year-end fiscal 2017, the statutory liquidity ratio requirement percentage was 20.5%. We generally hold more statutory liquidity ratio eligible securities than the statutory liquidity ratio requirement. Statutory liquidity ratio eligible instruments include cash, gold or approved unencumbered securities.

At various of our overseas branches, certain reserves are maintained pursuant to local regulations. We have complied with these local reserve requirements in fiscal 2017.

The Reserve Bank of India on June 9, 2014 issued final guidelines on the Basel III framework on liquidity standards including liquidity coverage ratio, liquidity risk monitoring tools and liquidity coverage ratio disclosure standards. The liquidity coverage ratio promotes short-term resilience of banks to potential liquidity disruptions by ensuring that banks have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days. As per the guidelines, the liquidity coverage ratio requirement was effective January 1, 2015 with a minimum requirement of 60.0% starting from January 1, 2015 (currently the minimum requirement is 80.0%), and will rise in equal steps to reach 100.0% on January 1, 2019. As per the Reserve Bank of India guidelines, effective January 1, 2016, liquidity coverage ratio has been made applicable to Indian banks on a consolidated basis. We have been computing our liquidity coverage ratio on monthly basis since January 2015 as per the Reserve Bank of India guidelines. The liquidity coverage ratio of the Group, based on daily values, for the three months ended March 31, 2017 was 95.9%.

ICICI Bank maintain liquid assets in addition to statutory liquidity ratio and cash reserve ratio requirement. Throughout fiscal 2017, the Bank maintained adequate reserves as per these regulatory requirements.

The following table sets forth the components of the ICICI Bank's average and balance sheet date liquid assets.

	At March 31, 2016	Fortnightly average for fiscal 2017	At March 31, 2017
	(in billions)		
Statutory liquidity ratio eligible investments and other government securities, net of borrowings on account of repurchase agreement, liquidity adjustment facility and collateralized borrowings	Rs. 1,091.2	Rs. 1,167.5	Rs. 1,129.4
Balance with central banks and current accounts with other banks	299.8	270.2	331.7
Other liquid assets	471.6	321.7	559.0
Gross liquid assets	1,862.6	1,759.4	2,020.1
(Less) Short-term borrowings	–	3.5	0.5
Net liquid assets	Rs. 1,862.6	Rs. 1,755.9	Rs. 2,019.6

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ICICI Bank held net liquid assets totaling Rs. 2,019.6 billion at year-end fiscal 2017, compared to Rs. 1,862.6 billion at year-end fiscal 2016. In fiscal 2017, the Bank held fortnightly average net liquid assets of Rs. 1,755.9 billion. In addition to the amounts included in net liquid assets above, at year-end fiscal 2017, the Bank also held other fixed income non-government securities totaling Rs. 42.4 billion compared to Rs. 42.7 billion at year-end fiscal 2016.

In compliance with local regulations, some overseas branches of the Bank are required to maintain a 'net due to' position with other group entities i.e. they can only be a net borrower up to a specified amount. Accordingly, only the liquidity maintained in excess of such 'net due to' requirements can be utilized at other group entities. At year-end fiscal 2017, such overseas branches of the Bank held net liquid assets of Rs. 75.9 billion (equivalent), which are included in our overall net liquid assets of the Bank of Rs. 2,019.6 billion.

We also have access to other reliable sources of liquidity. The Reserve Bank of India conducts repurchase and reverse repurchase transactions with banks through its liquidity adjustment facility and marginal standing facility to carry out monetary policy and manage liquidity for the Indian banking system. The Reserve Bank of India stipulates an interest rate applicable to fixed rate repurchase, fixed rate reverse repurchase agreements and marginal standing facility, known as the repo rate, reverse repo rate and marginal standing facility rate respectively. In addition, Reserve Bank of India also conducts variable rate repurchase, reverse repurchase auction, rates for which are arrived through competitive bidding. At year-end fiscal 2017, the Reserve Bank of India repo rate, reverse repo rate and marginal standing facility rate were 6.25%, 5.75% and 6.75% respectively. The liquidity adjustment facility and marginal standing facility are available throughout the year. Under the marginal standing facility, in addition to the eligible securities a bank holds in excess of the statutory requirement, banks can borrow overnight up to 2.0% of their respective net demand and time liabilities outstanding at the end of the second preceding 14-day period. Further, there is a liquid market for repurchase transactions with other market counterparties. Banks may enter into repurchase transactions with the Reserve Bank of India or other market counterparties against the statutory liquidity ratio eligible securities that hold in excess of the statutory requirement.

At year-end fiscal 2017, ICICI Bank had government securities amounting to Rs. 403.9 billion eligible for borrowings through the liquidity adjustment facility and marginal standing facility from the Reserve Bank of India.

The Reserve Bank of India uses the liquidity adjustment facility and the marginal standing facility to implement monetary policy. The Reserve Bank of India has the right to suspend the liquidity adjustment facility or reduce the amounts that Indian banks can access through the liquidity adjustment facility on any day on a proportionate basis for all banks. Such policy changes could affect the operations of these facilities and could restrict Indian banks, including us, from accessing these facilities. The Reserve Bank of India has restricted liquidity provision through the overnight liquidity adjustment facility to a specified ratio of net demand and time liabilities and increasingly provides liquidity through term repurchase agreements of various maturities. At year-end fiscal 2017, the liquidity provision through the overnight liquidity adjustment facility was capped at 0.25% of net demand and time liabilities of banks.

We have a well-defined borrowing program for the overseas operations. In order to maximize borrowings at a reasonable cost through our branches, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings and inter-bank bilateral loans. We also raise refinance from other banks against buyer's credit and other trade assets. Those loans that meet the Export Credit Agencies' criteria are refinanced as per the agreements entered into with these agencies. We also mobilize retail deposit liabilities, in accordance with the regulatory framework in place in the respective host country.

ICICI Bank has the ability to use its rupee liquidity in India to meet refinancing needs at its overseas branches, although this may be at a relatively high cost based on swap and exchange rates prevailing at the time of such refinancing. The Bank raised the equivalent of US$ 729 million through issuances of US$ denominated bonds in August 2016 (original maturity of three years), in September 2016 (original maturity of three years), in October 2016 (original maturity three years), in December 2016 (original maturity five years) and in March 2017 (original maturity 5.5 years); Hong Kong dollar (HKD) denominated bonds in July 2016 (original maturity of three years) and in September 2016 (original maturity of three years) and Japanese Yen (JPY) denominated bonds in December 2016 (original maturity of five years). The terms of the Bank's bond issuances and loans from other financial institutions and export credit agencies contain cross-default clauses, restrictions on its ability to merge or amalgamate with another entity and restrictions on the Bank's ability to prematurely redeem or repay such bonds or loans. The terms of the Bank's subordinated debt issuances eligible for inclusion in Tier 1 or Tier 2 capital include the suspension of interest payments in the event of losses or capital deficiencies, and a prohibition on redemption, even at maturity or on specified call option dates, without the prior approval of the Reserve Bank of India. The Bank is currently not, and does not expect to be, in breach of any material covenants of the Bank's borrowings that would be construed as events of default under the terms of such borrowings.

The successful management of credit, market and operational risk is an important consideration in managing the liquidity because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time.

Rating agencies can also decide to withdraw their ratings of the Bank, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions (particularly longer-term transactions) and derivatives transactions, or retain our customers. See also "*Risk Factors—Any downgrade of India's debt rating by an international rating agency could adversely affect our business, our liquidity and the price of our equity shares and ADSs*".

In respect of our domestic operations, we may enter into collateralized borrowings in the form of repurchase transactions with the Reserve Bank of India or through Clearing Corporation of India Limited, a centralized clearing counterparty or with the market counterparties, against the statutory liquidity ratio eligible securities to meet expected and unexpected borrowings requirements. In general, the market value of collateral given for any such loan is higher than the value of the loan, which is referred to as a haircut. The Reserve Bank of India has stipulated the haircut for all such securities for borrowings from them. In case of borrowings through products settled through Clearing Corporation of India Limited, the value of the collateral under repo/collateralized lending and borrowing obligations is computed after applying a haircut as stipulated by the Clearing Corporation of India Limited. Further, members of Clearing Corporation of India Limited's collateralized lending and borrowing obligations segment are also required to maintain margin contributions in relation to their borrowing/lending obligation at any point of time which act as cushion against any fall in the value of the underlying collateral. We hold sufficient securities in our account to meet additional collateral requirements if required and systems and processes are in place to ensure sufficient balance in our Principal-Securities General Ledger account, Repo Constituent - Securities General Ledger account, Clearing Corporation of India Limited Securities Guarantee Fund/collateralized lending and borrowing obligations margin account resulting in smooth settlement of transactions.

Further, in case of any emergency requirement, additional securities may be transferred to our Securities Guarantee Fund/collateralized lending and borrowing obligations margin account on a T+0 basis. In case of corporate bond repo, the value of the securities is computed after applying the minimum haircut as stipulated by the Reserve Bank of India depending upon the credit rating of the underlying security. The Bank also deals with central counterparties for settlement of government securities outright and repo transactions, forex transactions, interest rate and currency derivatives for which it needs to contribute towards margin obligations. We will be required to post additional collateral in case of downgrade in the external credit rating of the Bank under letter of credit, stand by letter of credit, bank guarantee and unfunded risk participation agreements.

In respect of overseas branch operations, generally, the collateral requirements are applicable to banks which have outstanding borrowings that are subject to margin-reset and consequent collateral deposits are governed by global master repurchase agreement. We have an Asset Liability Management Committee approved framework for accepting covenants, linked to credit rating downgrade of the Bank and a breach in thresholds of certain financial covenants as a part of borrowing agreements and a stress scenario has been formulated linked to potential outflows due to a breach of rating downgrade covenants.

Under the proposed margin rules for non-centrally cleared derivative transactions issued by the Basel Committee on Banking Supervision and Reserve Bank of India, which are currently in a draft stage, derivative transactions would be subject to margin-reset and consequent collateral exchange would be as governed by Credit Support Annex. In overseas branch operations, we have not signed any Credit Support Annex with counterparties that require the maintenance of collateral; while in the domestic operations, we have signed Credit Support Annex with certain inter-bank counterparties which may require us to post/transfer collateral.

We have certain borrowings that would be affected by a credit rating downgrade of the Bank. Such borrowings amount to around 3% of the total borrowings of the Bank at year-end fiscal 2017. If an international credit rating agency downgrades the Bank's credit rating by one or more notches, we would be required to pay an increased interest rate on these borrowings. The liquidity impact is monitored on a fortnightly basis and is reported to relevant committees on a semi-annual basis. Volatility in the international debt markets may constrain our international borrowings.

There are restrictions on the use of liquidity maintained by UK and Canada subsidiaries of the Bank to meet their overall liquidity needs. The Office of the Superintendent of Financial Institutions of Canada has prescribed a limit of 100% of Tier 1 and Tier 2 capital (as defined under Canadian regulations) on the credit exposure to any single entity or a group of connected entities. ICICI Bank Canada, Bank's Canadian subsidiary, has internally capped this credit exposure at 25% of the limit specified by the Office of the Superintendent of Financial Institutions, except with respect to exposure to the ICICI Bank. In fiscal 2016, ICICI Bank Canada has complied with both regulatory and their internal limits on exposures to any single entity, including to ICICI Bank.

As per the extant regulatory guidelines in the United Kingdom, ICICI Bank UK is subject to a limit of 25% of the capital base on the exposure to an individual counterparty (or a group of related counterparties). The capital base is calculated as the sum of eligible Tier 1 and Tier 2 capital, less any deductions as per the Basel III guidelines. ICICI Bank UK has a capital base of US$ 616 million at year-end fiscal 2017, resulting in a limit of US$ 154 million. Also, ICICI Bank UK stipulates various internal limits to manage exposure concentrations within the Bank. The key parameters of risk concentrations measured include sectoral, country, rating category based, product specific exposures, counterparty and large exposures.

The Prudential Regulation Authority issued a new policy statement on Capital Requirements in June 2015, which was supplemented by supervisory statement on Prudential Regulation Authorities approach to supervising liquidity and funding risk. The new guidelines were applicable from October 1, 2015. As per the guidelines banks were required to maintain Liquidity Coverage Ratio, as per the methodology provided in the Delegated Act issued by European Banking Authority in October 2014, at 80% starting October 1, 2015 as a Pillar 1 liquidity requirement. The Liquidity Coverage Ratio requirement increased to 90% from January 1, 2017 and would increase to 100% from January 1, 2018 onwards. Additionally, Prudential Regulation Authority adopted an interim Pillar 2 approach, in which it specified banks to hold high quality liquid assets for add-ons specified in the existing Individual liquidity guidance for the Bank. These add-ons are for specific risks, which are not captured in Liquidity Coverage Ratio. ICICI Bank UK maintains Liquidity Coverage Ratio above the stipulated level.

In November 2014, The Office of Superintendent of Financial Institution revised the Liquidity Adequacy Requirements to incorporate Liquidity Coverage Ratio requirements for banks in Canada. The requirements expect banks to have an adequate stock of unencumbered high quality liquid assets that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The standard requires that, absent a situation of financial stress, the value of the coverage ratio of high quality liquid assets to total net cash outflows be no lower than 100%. The Office of Superintendent of Financial Institution expects each Canadian bank to have an internal liquidity policy articulating and defining the role of liquid assets within the bank's overall liquidity management system and establishing minimum targets for liquid asset holdings. ICICI Bank Canada has a Liquidity Management Policy and Market Risk Management Policy, which are approved by its Board of Directors. These policies require ICICI Bank Canada to maintain a certain percentage of its customer liabilities in liquid assets and to maintain sufficient liquidity to cover net outflows in the "up to 30 days" maturity bucket. These limits are monitored by Asset Liability Management Committee of ICICI Bank Canada, at least on monthly basis. ICICI Bank Canada has complied with these requirements throughout fiscal 2017. In addition, net cumulative cash flow information, which consists of details of the maturity pattern of assets and liabilities and net cash flows, is shared with the Office of Superintendent of Financial Institution on a monthly basis.

Capital Expenditure

The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets.

	Fiscal 2015 Cost at year-end fiscal 2014	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at year-end fiscal 2015	
	(in millions)					
Premises	Rs. 47,929	Rs. 4,465	Rs. (629)	Rs. (12,258)	Rs. 39,507	US$ 609
Other fixed assets (including furniture and fixtures)	50,802	7,519	(3,049)	(38,393)	16,879	260
Assets given on lease	17,299	-	-	(14,973)	2,326	36
Total	Rs. 116,030	Rs. 11,984	Rs. (3,678)	Rs. (65,624)	Rs. 58,712	US$ 905

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	Fiscal 2016 Cost at year-end fiscal 2015 (in millions)	Additions/ transfers/revaluations		Deletions/ transfers	Depreciation	Net assets at year-end fiscal 2016	
Premises	Rs. 51,765	Rs. 29,610	(1)	Rs. (724)	Rs. (13,359)	RsN7,292	US$ 1,038
Other fixed assets (including furniture and fixtures)	55,272	7,510		(3,215)	(42,139)	17,428	269
Assets given on lease	17,299	-		-	(14,885)	2,414	37
Total	Rs. 124,336	Rs. 37,120		Rs. (3,939)	Rs. (70,383)	Rs. 87,134	US$ 1,344

(1) Includes gain on revaluation created through reserve of Rs. 28.2 billion.

	Fiscal 2017 Cost at year-end fiscal 2016 **(in millions)**	Additions/transfers/ revaluation		Deletions/ transfers	Depreciation	Net assets at year-end fiscal 2017	
Premises	Rs. 80,650	Rs. 8,050	(1)	Rs. (607)	Rs. (14,750)	RsO3,344	US$ 1,131
Other fixed assets (including furniture and fixtures)	59,567	7,487		(3,215)	(46,218)	17,621	272
Assets given on lease	17,300	-		(395)	(14,490)	2,415	37
Total	Rs. 157,517	Rs. 15,537		Rs. (4,217)	Rs. (75,458)	Rs. 93,380	US$ 1,440

(1) Includes gain on revaluation created through reserve of Rs. 3.0 billion.

Cost of fixed assets increased from Rs. 124.3 billion at year-end fiscal 2015 to Rs. 157.5 billion at year-end fiscal 2016 primarily due to gains of Rs. 28.2 billion on revaluation of premises during fiscal 2016.

Collateral Management

Overview

We define collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of a secured creditor in respect of the assets/contracts offered as security for the obligations of the borrower/obligor. We ensure that the underlying documentation for the collateral provides the Bank with appropriate rights over the collateral or other forms of credit enhancement including the right to liquidate, retain or take legal possession of it in a timely manner in the event of default by the counterparty. We also endeavor to keep the assets provided as security to the Bank under adequate insurance during the tenor of the Bank's exposure. The Bank monitors the collateral value periodically.

Collateral valuation

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

Types of collateral taken by the Bank

We determine the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In the case of corporate and small and medium enterprises financing, fixed assets are generally

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taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empaneled valuer at the time of sanctioning the loan.

The Bank also offers products which are primarily based on collateral, such as shares, specified securities, warehoused commodities and gold jewelry. These products are offered in line with the approved product policies which include types of collateral, valuation and margining.

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by our Board of Directors.

The decision on the type and quantum of collateral for each transaction is made by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

Significant Changes

Except as otherwise stated in this annual report, we have experienced no significant changes since the date of fiscal 2017 consolidated financial statements contained in this annual report.

Segment Revenues and Assets

The Reserve Bank of India in its guidelines on “segmental reporting” has stipulated specified business segments and their definitions, for the purposes of public disclosures on business information for banks in India.

The consolidated segmental report for fiscal 2017, based on the segments identified and defined by the Reserve Bank of India, has been presented as follows:

- **Retail Banking** includes our exposures which satisfy the four qualifying criteria of "regulatory retail portfolio" as stipulated by the Reserve Bank of India's Basel III guidelines. These criteria are as follows:

(i) Orientation criterion: Exposure to an individual person or persons (not to be restricted to an individual, Hindu Undivided Family, trust, partnership firm, private limited companies, public limited companies, co-operative societies, etc.) or to a small business are classified as retail. A small business is defined as one where the three-year average annual turnover is less than Rs. 500 million.

(ii) Product criterion: All exposure should take the form of any of the following:

- revolving credits and lines of credit (including overdrafts);
- term loans and leases (e.g. installment loans and leases, student and educational loans); and
- small business facilities and commitments.

(iii) Low value of individual exposures: The maximum aggregate retail exposure to one counterparty should not exceed the absolute threshold limit of Rs. 50 million.

(iv) Granularity criterion: The regulatory retail portfolio should be sufficiently diversified to a degree that reduces the risks in the portfolio. The aggregate exposure to one counterparty should not exceed 0.2% of the overall retail portfolio.

- **Wholesale Banking** includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included in the Retail Banking segment, as per the Reserve Bank of India guidelines for the Bank.

- **Treasury** includes the entire investment and derivative portfolio of the Bank, ICICI Strategic Investments Fund and ICICI Equity Fund (up to September 30, 2015).

- **Other Banking** includes leasing operations and other items not attributable to any particular business segment of the Bank. It also includes the Bank's banking subsidiaries, i.e., ICICI Bank UK PLC, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company (up to December 31, 2014).

- **Life Insurance** represents results of ICICI Prudential Life Insurance Company Limited.

- **General Insurance** represents results of ICICI Lombard General Insurance Company Limited.

- **Others** include ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Securities Primary Dealership Limited, ICICI Securities Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, ICICI Prudential Pension Funds Management Company Limited, ICICI Kinfra Limited (up to September 30, 2014) and I-Ven Biotech Limited (up to December 31, 2015).

Framework for transfer pricing

Liabilities of retail banking and wholesale banking segments are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements and specific charge on account of directed lending to certain sectors categorized as priority sector. Current account and savings account deposits are transfer priced at a fixed rate. For term deposits and borrowings, the transfer pricing is primarily based on the categories specified in the Transfer Pricing Policy. Transfer pricing to our asset creation units is based on the incremental cost of deposits (blended for current account and savings account deposits) and borrowings adjusted for the maturity of the asset (term premium) and regulatory reserve requirements. The allocated capital is also considered as a source of funding for this purpose.

Fiscal 2017 Compared with Fiscal 2016

The following table sets forth, for the periods indicated, profit before tax of various segments.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Retail Banking	Rs.38,977	Rs.53,853	US$830	38.2 %
Wholesale Banking	(12,454)	(74,341)	(1,146)	496.9
Treasury	86,163	120,814	1,863	40.2
Other Banking	6,790	3,022	47	(55.5)

Life Insurance	17,716	17,849	275	0.8
General Insurance	7,077	9,101	140	28.6
Others	14,252	21,764	336	52.7
Profit before tax	Rs. 158,521	Rs. 152,062	US$ 2,345	(4.1 %)

Retail Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 91,914	Rs. 113,270	US$ 1,746	23.2 %
Non-interest income	49,023	57,535	887	17.4
Total income	140,937	170,805	2,633	21.2
Non-interest expenses	97,972	112,260	1,731	14.6
Profit before provisions	42,965	58,545	902	36.3
Provisions	3,988	4,692	72	17.7
Profit before tax	Rs. 38,977	Rs. 53,853	US$ 830	38.2 %

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The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Advances	Rs. 1,608,891	Rs. 1,999,885	US$ 30,839	24.3 %
Deposits	2,982,101	3,518,338	54,253	18.0

Loans in the retail banking segment increased primarily due to higher disbursements, mainly in home loans, automobile loans and personal loans. The retail banking segment maintained its focus on strengthening its deposit franchise reflected in the increase in the retail deposit base. The savings account deposits of the segment increased by 28.0% from Rs. 1,342.3 billion at year-end fiscal 2016 to Rs.1,718.4 billion at year end fiscal 2017.

The profit before tax of the retail banking segment increased from Rs. 39.0 billion in fiscal 2016 to Rs. 53.9 billion in fiscal 2017, primarily due to an increase in net interest income and non-interest income.

Net interest income increased by 23.2% from Rs. 91.9 billion in fiscal 2016 to Rs. 113.3 billion in fiscal 2017 primarily due to an increase in the loan portfolio and increase in current account and savings account deposits.

Non-interest income increased by 17.4% from Rs. 49.0 billion in fiscal 2016 to Rs. 57.5 billion in fiscal 2017 primarily due an increase in third party product distribution fees, lending linked fees, transaction banking fees and fees from credit card portfolio.

Non-interest expenses increased by 14.6% from Rs. 98.0 billion in fiscal 2016 to Rs 112.3 billion in fiscal 2017 primarily due to an increase direct marketing expenses and an increase in operating expenses due to expansion in branch network.

Provisions increased from Rs. 3.9 billion in fiscal 2016 to Rs. 4.7 billion in fiscal 2017 reflecting an increase in retail loan portfolio. See also "*Business – Risk management – Credit risk – Assessment of Retail Loans" and "Business – Classification of loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*".

Wholesale Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 83,615	Rs. 65,712	US$ 1,013	(21.4 %)
Non-interest income	38,064	35,304	545	(7.3)
Total income	121,679	101,016	1,558	(17.0)
Non-interest expenses	25,981	32,414	500	24.8
Profit before provisions	95,698	68,602	1,058	(28.3)
Provisions	108,152	142,943	2,204	32.2
Profit before tax	Rs. (12,454)	Rs. (74,341)	US$ (1,146)	496.9 %

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The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Advances	Rs. 2,609,440	Rs. 2,565,395	US$ 39,559	(1.7 %)
Deposits	1,132,167	1,358,117	20,942	20.0 %

The loan portfolio of the wholesale banking segment decreased by 1.7% from Rs. 2,609.4 billion at year-end fiscal 2016 to Rs. 2,565.4 billion at year-end fiscal 2017. The current account deposits increased by 25.9% from Rs. 331.3 billion at year-end fiscal 2016 to Rs. 417.1 billion at year-end fiscal 2017 and the term deposits in the segment increased by 17.5% from Rs. 800.8 billion at year-end fiscal 2016 to Rs. 941.1 billion at year-end fiscal 2017.

The loss before tax of the wholesale banking segment increased from Rs. 12.4 billion in fiscal 2016 to Rs. 74.3 billion in fiscal 2017 primarily due to reduction in net interest income and increase in provisions.

Net interest income decreased by 21.4% from Rs. 83.6 billion in fiscal 2016 to Rs. 65.7 billion in fiscal 2017 primarily due to higher additions to non-performing assets and loans under strategic debt restructuring scheme and reduction in base rate during fiscal 2016 and fiscal 2017. The Bank accounts for interest income on a cash basis on non-performing assets and cases where strategic debt restructuring has been invoked. Non-interest income decreased by 7.3% from Rs. 38.0 billion in fiscal 2016 to Rs. 35.3 billion in fiscal 2017, primarily due to a decrease in fee income. The corporate fee income continued to be adversely impacted due to subdued corporate activity.

Non-interest expenses increased by 24.8% from Rs. 26.0 billion in fiscal 2016 to Rs. 32.4 billion in fiscal 2017, primarily due to an increase in employee cost and other operating expenses.

Provisions increased from Rs. 108.1 billion in fiscal 2016 to Rs. 142.9 billion in fiscal 2017 primarily due an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio including downgrades from the restructured loan portfolio, cases where strategic debt restructuring has been invoked/implemented and specific provision on certain standard loans. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability, subdued investment activity, and impact on business activity following the withdrawal of high denomination currency notes. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment impacted the pace of resolution leading to a significant increase in non-performing loans and provisions during fiscal 2017.

Treasury

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs.30,969	Rs.31,615	US$488	2.1 %
Non-interest income	61,457	98,701	1,522	60.6
Total income	92,426	130,316	2,010	41.0
Non-interest expenses	1,796	2,177	34	21.2
Profit before provisions	90,630	128,139	1,976	41.4
Provisions	4,467	7,325	113	64.0
Profit before tax	Rs.86,163	Rs.120,814	US$1,863	40.2 %

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The following table sets forth, for the periods indicated, the closing balances of key assets and liabilities.

	Closing balance at March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Investments[1]	Rs. 1,604,397	Rs. 1,615,348	US$ 24,909	0.7 %
Borrowings	1,748,074	1,475,562	22,753	(15.6 %)

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services, such as forward contracts, swaps and options. They also include investments made by ICICI Strategic Investments Fund and ICICI Equity Fund (up to September 30, 2015).

The profit before tax of the treasury segment increased by 40.2% from Rs. 86.2 billion in fiscal 2016 to Rs. 120.8 billion in fiscal 2017 primarily due to an increase in non-interest income, offset, in part, by an increase in provisions.

Net interest income increased by 2.1% from Rs. 31.0 billion in fiscal 2016 to Rs. 31.6 billion in fiscal 2017, primarily due to a decrease in cost of borrowings, offset, in part, by a decrease in yields on investments.

Non-interest income increased by 60.6% from Rs. 61.5 billion in fiscal 2016 to Rs. 98.7 billion in fiscal 2017 primarily due to a gain of Rs. 51.3 billion on sale of stake in ICICI Prudential Life Insurance Company Limited through initial public offer and higher realized gains on the government securities and other fixed income securities.

Provisions increased from Rs. 4.5 billion in fiscal 2016 to Rs. 7.3 billion in fiscal 2017 primarily due to provision on security receipts and equity shares acquired on conversion of loans.

Other Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 15,288	Rs. 15,184	US$ 234	(0.7 %)
Non-interest income	2,477	3,095	48	24.9
Total income	17,765	18,279	282	2.9
Non-interest expenses	4,883	4,703	73	(3.7)
Profit before provisions	12,882	13,576	209	5.4
Provisions	6,092	10,554	163	73.2
Profit before tax	Rs. 6,790	Rs. 3,022	US$ 46	(55.5 %)

The following table sets forth, for the periods indicated, the outstanding balances of the key assets and liabilities.

	Outstanding balance on March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Advances	Rs. 638,887	Rs. 502,938	US$ 7,755	(21.3 %)
Investments	80,001	76,940	1,186	(3.8)
Deposits	400,943	255,054	3,933	(36.4)
Borrowings	Rs. 252,530	Rs. 232,139	US$ 3,580	(8.1 %)

Other banking business includes our leasing operations, our overseas banking subsidiaries, ICICI Bank UK and ICICI Bank Canada and other items not attributable to any particular business segment of the Bank.

The profit before tax of our other banking segment decreased from Rs. 6.8 billion in fiscal 2016 to Rs. 3.0 billion in fiscal 2017, primarily due to an increase in provisions, offset, in part, by an increase in non-interest income.

Net interest income decreased marginally from Rs. 15.3 billion in fiscal 2016 to Rs. 15.2 billion in fiscal 2017.

Non-interest income increased by 24.9% from Rs. 2.5 billion in fiscal 2016 to Rs. 3.1 billion in fiscal 2017, primarily due to an increase in non-interest income of ICICI Bank Canada. Non-interest income of ICICI Bank Canada increased primarily due to an increase in fee income and realized gains on call back of corporate bonds by the issuers.

Non-interest expenses decreased from Rs. 4.9 billion in fiscal 2016 to Rs. 4.7 billion in fiscal 2017.

Provisions increased by 73.2% from Rs. 6.1 billion in fiscal 2016 to Rs. 10.6 billion in fiscal 2017 primarily due to higher provisions made by ICICI Bank UK and ICICI Bank Canada. Provisions of our UK subsidiary increased from Rs. 3.9 billion in fiscal 2016 to Rs. 4.6 billion in fiscal 2017 primarily due to specific provision made on impaired loans, offset, in part, by a decrease in provision on investments. Provisions of our Canadian subsidiary increased from Rs. 1.8 billion in fiscal 2016 to Rs. 5.7 billion in fiscal 2017 primarily due to specific provision made on impaired loans.

Advances decreased by 21.3% from Rs. 638.9 billion at year-end fiscal 2016 to Rs. 502.9 billion at year-end fiscal 2017, primarily due to a decrease in advances of ICICI Bank and ICICI Bank UK. Advances of ICICI Bank decreased from Rs. 134.3 billion at year-end fiscal 2016 to Rs. 77.0 billion at year-end fiscal 2017 primarily due to maturity of loans against Foreign Currency Non-Resident (Bank) deposits in fiscal 2017. Advances of ICICI Bank UK decreased from Rs. 209.1 billion at year-end fiscal 2016 to Rs. 153.9 billion at year-end fiscal 2017 primarily due to a decrease in corporate loan on account of prepayment/sell-down and maturities of retail loans against foreign currency non-resident deposits. Advances of ICICI Bank Canada decreased from Rs. 295.5 billion at year-end fiscal 2016 to Rs. 272.0 billion primarily due to prepayment/repayment of corporate loans at fiscal 2017.

Investments decreased by 3.8% from Rs. 80.0 billion at year-end fiscal 2016 to Rs. 76.9 billion at year-end fiscal 2017, primarily due to a decrease in investments of ICICI Bank UK, offset, in part, by an increase in investments of ICICI Bank Canada. The investment portfolio of ICICI Bank UK decreased from Rs. 49.3 billion at year-end fiscal 2016 to Rs. 44.3 billion at year-end fiscal 2017 primarily due to maturity of investments in government securities. The investment portfolio of ICICI Bank Canada increased from Rs. 30.8 billion at year-end fiscal 2016 to Rs. 32.6 billion at year-end fiscal 2017 primarily due to deployment of additional liquidity in bankers' acceptances.

Deposits decreased by 36.4% from Rs. 400.9 billion at year-end fiscal 2016 to Rs. 255.1 billion at year-end fiscal 2017 primarily due to a decrease in deposits of ICICI Bank and ICICI Bank UK. Deposits of ICICI Bank decreased from Rs. 97.5 billion at year-end fiscal 2016 to Rs. 23.9 billion at year-end fiscal 2017 primarily due to redemption of Foreign Currency Non-Resident (Bank) deposits. Deposits of ICICI Bank UK decreased from Rs. 163.4 billion at year-end fiscal 2016 to Rs. 106.9 billion at year-end fiscal 2017, primarily due to a decrease in institutional deposits, retail term and saving deposits, offset, in part, by an increase in corporate term deposits. Deposits of ICICI Bank Canada decreased from Rs. 140.0 billion at year-end fiscal 2016 to Rs. 124.2 billion at year-end fiscal 2017, primarily due to a decrease in term deposits, offset, in part, by an increase in current deposits.

Borrowings decreased by 8.1% from Rs. 252.5 billion at year-end fiscal 2016 to Rs. 232.1 billion at year-end fiscal 2017 primarily due to a decrease in the borrowings of ICICI Bank UK. Borrowings of ICICI Bank UK decreased from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 81.2 billion at year-end fiscal 2017 primarily due to a decrease in repo borrowings. Borrowings of ICICI Bank Canada decreased marginally from Rs. 153.8 billion at year-end fiscal 2016 to Rs. 150.9 billion at year-end fiscal 2017.

With regard to our overseas banking subsidiaries, global developments, including decline in crude oil prices and the election by a majority of voters in the United Kingdom to withdraw from the European Union in a national referendum, are expected to slow down economic growth in Canada and the United Kingdom, which in turn could impact the business of our banking subsidiaries in these countries.

Life Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Premium earned	Rs. 191,644	Rs. 223,540	US$ 3,447	16.6 %
Premium on reinsurance ceded	(1,657)	(1,988)	(31)	20.0
Net premium earned	189,987	221,552	3,416	16.6
Other income	20,365	22,305	344	9.5
Investment income	21,285	26,605	410	25.0
Total income	231,637	270,462	4,170	16.8
Commission paid	6,200	7,589	117	22.4
Claims/benefits paid	16,975	11,118	171	(34.5)
Operating expenses	19,951	24,728	381	23.9
Total expenses	43,126	43,435	669	0.7
Transfer to linked funds	139,479	160,605	2,477	15.1
Provisions for policy holder liabilities (non-linked)	31,316	48,573	749	55.1
Profit before tax	Rs. 17,716	Rs. 17,849	US$ 275	0.8 %

The following table sets forth, for the periods indicated, the outstanding balance of key assets and liabilities.

	Outstanding balance on March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Investments	Rs. 270,320	Rs. 325,351	US$ 5,017	20.4 %
Assets held to cover linked liabilities	752,958	878,784	13,551	16.7
Liabilities on life policies in force	970,534	1,154,974	17,810	19.0

The life insurance industry in India registered a growth of 20.7% in retail weighted new business premium in fiscal 2017, according to the Life Insurance Council with ICICI Prudential Life Insurance Company registering a growth of 29.0%.

ICICI Prudential Life Insurance Company maintained its leadership position among the private sector companies with a private market share of 22.3% on a retail weighted new business premium basis in fiscal 2017 compared to 21.9% in fiscal 2016. Overall market share on this basis increased from 11.3% in fiscal 2016 to 12.0% in fiscal 2017. Assets under management increased by 18.3% from Rs. 1,039.4 billion at year-end fiscal 2016 to Rs. 1,229.2 billion at year-end fiscal 2017.

The profit before tax of ICICI Prudential Life Insurance Company increased marginally from Rs. 17.7 billion in fiscal 2016 to Rs. 17.8 billion in fiscal 2017.

The total premium income of ICICI Prudential Life Insurance Company increased by 16.6% from Rs. 191.6 billion in fiscal 2016 to Rs. 223.5 billion in fiscal 2017 primarily due to an increase in retail renewal premium and retail new business premium. Retail renewal premium increased by 18.5% from Rs. 120.0 billion in fiscal 2016 to Rs. 142.2 billion in fiscal 2017. Retail new business premium increased by 29.4% from Rs. 54.6 billion in fiscal 2016 to Rs. 70.7 billion in fiscal 2017. Group premium decreased from Rs. 17.1 billion in fiscal 2016 to Rs. 10.7 billion in fiscal 2017.

Other income of ICICI Prudential Life Insurance Company increased by 9.5% from Rs. 20.4 billion in fiscal 2016 to Rs. 22.3 billion in fiscal 2017 primarily due to an increase in fund management charges and mortality charges.

Investment income of ICICI Prudential Life Insurance Company increased by 25.0% from Rs. 21.3 billion in fiscal 2016 to Rs. 26.6 billion in fiscal 2017 primarily due to an increase in net realized gains and interest income. The interest income increased from Rs. 18.4 billion in fiscal 2016 to Rs. 20.6 billion in fiscal 2017. The net realized gains increased from Rs. 2.9 billion in fiscal 2016 to Rs. 6.0 billion in fiscal 2017 primarily due to higher realized gains on sale of equity shares and fixed income portfolio.

Commission expenses of ICICI Prudential Life Insurance Company increased by 22.4% from Rs. 6.2 billion in fiscal 2016 to Rs. 7.6 billion in fiscal 2017, which is in line with the change in product mix and an increase in total premium.

Claims and benefit payouts of ICICI Prudential Life Insurance Company decreased by 34.5% from Rs. 17.0 billion in fiscal 2016 to Rs. 11.1 billion in fiscal 2017 on account of lower surrenders, offset, in part, by an increase in death claims and maturity claims.

Transfer to linked funds represents the transfer of premium received, including the renewal premium on linked policies of ICICI Prudential Life Insurance Company to investments, which has increased by 15.1% from Rs. 139.5 billion in fiscal 2016 to Rs. 160.6 billion in fiscal 2017 primarily due to an increase in linked premium. The investible portion of the premium on linked policies of life insurance represents the premium income including renewal premium received on linked policies of life insurance business invested, after deducting charges and premium for risk coverage, in the underlying asset or index chosen by the policy holder.

Assets held to cover the linked liabilities of ICICI Prudential Life Insurance Company increased from Rs. 753.0 billion at year-end fiscal 2016 to Rs. 878.8 billion at year-end fiscal 2017 primarily due to an increase in investments in equity shares and corporate bonds.

Liability under existing life insurance policies to be paid by ICICI Prudential Life Insurance Company increased by 19.0% from Rs. 970.5 billion at year-end fiscal 2016 to Rs. 1,155.0 billion at year-end fiscal 2017.

General Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Gross written premium (including premium on reinsurance accepted)	Rs. 82,960	Rs. 109,605	US$ 1,690	32.1 %
Premium on reinsurance ceded	(28,611)	(43,657)	(673)	52.6
Unexpired risk reserve	(6,133)	(4,312)	(66)	(29.7)
Net premium earned	48,216	61,636	951	27.8
Commission income (net)	3,280	4,341	67	32.4
Investment income from pool(1)	242	245	4	1.2
Investment income	11,574	13,105	202	13.2
Total income	63,312	79,327	1,224	25.3
Operating expenses	17,112	19,820	306	15.8
Claims/benefits paid (net)	39,282	49,543	764	26.1
Other expenses (net)	(159)	863	13	N/M

Total expense	56,235	70,226	1,083	24.9
Profit/(loss) before tax	Rs.7,077	Rs.9,101	US$141	28.6 %

N/M- Not meaningful

(1) Investment income from pool represents our share of income from the terrorism pool. The pool represents a multilateral reinsurance arrangement entered into by ICICI Lombard General Insurance Company together with other Indian insurance companies and the General Insurance Corporation of India. The funds belonging to the terrorism pool are administered by the General Insurance Corporation of India.

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance on March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Investments	Rs.112,788	Rs.147,964	US$2,282	31.2 %
Current liabilities including claims outstanding	90,754	149,149	2,300	64.3
Provisions	Rs.31,158	Rs.35,485	US$547	13.9 %

The general insurance industry witnessed a growth of 32.3% in fiscal 2017 on the basis of gross direct premium. Higher growth in the industry was primarily due to higher off-take in crop/weather insurance segment.

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ICICI Lombard General Insurance Company Limited registered a growth of 32.6% in gross direct premium during fiscal 2017 primarily due to an increase in crop/weather, health and motor insurance portfolio. ICICI Lombard General Insurance Company Limited has maintained its leadership position among private sector general insurance companies and an overall market share of 8.4% during fiscal 2017 on the basis of gross direct premium (Source: General Insurance Council/Insurance Regulatory and Development Authority of India).

The profit before tax of ICICI Lombard General Insurance Company increased by 28.6% from Rs. 7.1 billion in fiscal 2016 to Rs. 9.1 billion in fiscal 2017 primarily due to an increase in net earned premium and investment income, offset, in part, by an increase in claims and benefits payout.

The gross direct premium income increased by 32.6% from Rs. 80.9 billion in fiscal 2016 to Rs. 107.3 billion in fiscal 2017 primarily due to an increase in crop/weather, motor and health insurance business. The net premium income increased from Rs. 48.2 billion in fiscal 2016 to Rs. 61.6 billion in fiscal 2017.

Net commission income increased by 32.4% from Rs. 3.3 billion in fiscal 2016 to Rs. 4.3 billion in fiscal 2017 primarily due to higher reinsurance commission on crop insurance business.

Investment income increased by 13.2% from Rs. 11.6 billion in fiscal 2016 to Rs. 13.1 billion in fiscal 2017 primarily due to an increase in interest income and realized gains on sale of investment securities. Interest income increased from Rs. 7.9 billion in fiscal 2016 to Rs. 8.6 billion in fiscal 2017. Realized gain on sale of investment securities increased from Rs. 3.4 billion in fiscal 2016 to Rs. 3.9 billion in fiscal 2017 primarily due to higher gain on equity investments and government securities.

Operating expenses increased by 15.8% from Rs. 17.1 billion in fiscal 2016 to Rs. 19.8 billion in fiscal 2017 primarily due to an increase in business support expenses which is in-line with the increase in business volumes.

Claims/benefits paid increased by 26.1% from Rs. 39.3 billion in fiscal 2016 to Rs. 49.5 billion in fiscal 2017 reflecting an increase in business volumes.

Investments increased by 31.2% from Rs. 112.8 billion at year-end fiscal 2016 to Rs. 148.0 billion at year-end fiscal 2017 primarily due to an increase in investment in debentures, bonds and equity investments. Current liabilities, including claims outstanding, increased by 64.3% from Rs. 90.8 billion at year-end fiscal 2016 to Rs. 149.1 billion at year-end fiscal 2017 primarily due to an increase in claims outstanding.

Others

The "others" segment mainly includes ICICI Prudential Asset Management Company Limited, ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited.

ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the financial period ended March 31, 2017 according to the Association of Mutual Funds in India.

ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities Limited owns icicidirect.com, a leading online brokerage platform.

The profit before tax of the "others" segment increased from Rs. 14.3 billion in fiscal 2016 to Rs. 21.8 billion in fiscal 2017 primarily due to an increase in profit before tax of ICICI Securities Primary Dealership Limited, ICICI Prudential Asset Management Company Limited, ICICI Securities Limited, ICICI Venture Funds Management Company Limited and ICICI Home Finance Company Limited.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 4,470	Rs. 5,400	US$ 83	20.8 %
Non-interest income	25,461	34,215	528	34.4
Total income	29,931	39,615	611	32.4
Non-interest expenses	15,501	17,761	274	14.6
Operating profit before provisions and tax	14,430	21,854	337	51.4
Provisions	178	90	1	(49.2)
Profit before tax	Rs. 14,252	Rs. 21,764	US$ 336	52.7 %

Net interest income increased by 20.8% from Rs. 4.5 billion in fiscal 2016 to Rs. 5.4 billion in fiscal 2017.

Non-interest income increased by 34.4% from Rs. 25.5 billion in fiscal 2016 to Rs. 34.2 billion in fiscal 2017 primarily due to an increase in fees income and other income of our securities broking and primary dealership subsidiary and management fees of our asset management subsidiary.

Non-interest expenses increased by 14.6% from Rs. 15.5 billion in fiscal 2016 to Rs. 17.8 billion in fiscal 2017 primarily due to an increase in administrative expenses and staff expenses of our securities broking and asset management subsidiary.

The profit before tax of ICICI Securities Limited increased from Rs. 3.7 billion in fiscal 2016 to Rs. 5.2 billion in fiscal 2017 primarily due to an increase in fee income, offset, in part, by an increase in staff cost and other administrative expenses. Fee income increased primarily due to an increase in brokerage income, third party product distribution fees and corporate finance fees. The brokerage income increased due to higher secondary market retail volumes.

The profit before tax of ICICI Securities Primary Dealership Limited increased from Rs. 3.0 billion in fiscal 2016 to Rs. 6.3 billion in fiscal 2017, primarily due to an increase in trading gains and net interest income. Trading gains were higher in fiscal 2017 due to favorable interest rate movements resulting in higher opportunities for making gains through trading activities.

The profit before tax of ICICI Prudential Asset Management Company Limited increased from Rs. 5.0 billion in fiscal 2016 to Rs. 7.3 billion in fiscal 2017 primarily due to an increase in fee income on account of an increase in average assets under management and change in product-mix in favor of equity mutual fund, which earns higher fees. Fee income increased from Rs. 9.9 billion in fiscal 2016 to Rs. 13.0 billion in fiscal 2017. The above increase was, offset, in part, by an increase in administrative expenses and staff cost.

The profit before tax of ICICI Home Finance Company Limited increased from Rs. 2.7 billion in fiscal 2016 to Rs. 2.8 billion in fiscal 2017 primarily due to a decrease in provisions and staff cost, offset, in part, by a decrease in fees income. Net interest income increased from Rs. 2.9 billion in fiscal 2016 to Rs. 3.0 billion in fiscal 2017. Fees income decreased from Rs. 0.9 billion in fiscal 2016 to Rs. 0.6 billion in fiscal 2017. Provisions decreased from a provision Rs. 0.2 billion in fiscal 2016 to write back of Rs. 0.04 billion in fiscal 2017.

The profit before tax of ICICI Venture Fund Management Company Limited increased from a loss of Rs. 0.2 billion in fiscal 2016 to a profit of Rs. 0.1 billion in fiscal 2017 primarily due to an increase in management fees. Management fees increased primarily due to management fees from new entities.

Fiscal 2016 Compared with Fiscal 2015

The following table sets forth, for the periods indicated, profit before tax of various segments.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Retail Banking	Rs.27,243	Rs.38,977	US$601	43.1 %
Wholesale Banking	62,241	(12,454)	(192)	N/M
Treasury	64,687	86,163	1,329	33.2
Other Banking	6,672	6,790	105	1.8
Life Insurance	16,343	17,716	273	8.4
General Insurance	6,907	7,077	109	2.5
Others	14,635	14,252	219	(2.6)
Profit before tax	Rs.198,728	Rs.158,521	US$2,444	(20.2)%

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N/M- Not meaningful

Retail Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Net interest income	Rs. 71,415	Rs. 91,914	US$ 1,417	28.7 %
Non-interest income	42,771	49,023	756	14.6
Total income	114,186	140,937	2,173	23.4
Non-interest expenses	86,147	97,972	1,511	13.7
Profit before provisions	28,039	42,965	662	53.2
Provisions	796	3,988	61	401.0
Profit before tax	Rs. 27,243	Rs. 38,977	US$ 601	43.1 %

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Advances	Rs. 1,193,521	Rs. 1,608,891	US$ 24,809	34.8 %
Deposits	2,539,964	2,982,101	45,985	17.4

Loans in the retail banking segment increased primarily due to higher retail disbursements, mainly in home loans, automobile loans and personal loans. The retail banking segment maintained its focus on strengthening its deposit franchise reflected in the increase in the retail deposit base. The savings account deposits of the segment increased by 16.9% from Rs. 1,148.6 billion at year-end fiscal 2015 to Rs. 1,342.3 billion at year-end fiscal 2016.

The profit before tax of the retail banking segment increased from Rs. 27.2 billion in fiscal 2015 to Rs. 39.0 billion in fiscal 2016, primarily due to an increase in net interest income and non-interest income, offset, in part, by higher expenses and provisions.

Net interest income increased by 28.7% from Rs. 71.4 billion in fiscal 2015 to Rs. 91.9 billion in fiscal 2016 primarily due to an increase in the loan portfolio and an increase in average current account and savings account deposits.

Non-interest income increased by 14.6% from Rs. 42.8 billion in fiscal 2015 to Rs. 49.0 billion in fiscal 2016 primarily due to the third party product distribution fees, lending linked fees, transaction banking fees and fees from credit card portfolio.

Non-interest expenses increased by 13.7% from Rs. 86.1 billion in fiscal 2015 to Rs. 98.0 billion in fiscal 2016 primarily due to an increase in direct marketing expenses and an increase in operating expenses due to expansion in branch network.

Provisions increased from Rs. 0.8 billion in fiscal 2015 to Rs. 3.9 billion in fiscal 2016 primarily due to the reversal of a provision, made in earlier years, in fiscal 2015 and provision for fraud at a specific branch of ICICI Bank in fiscal 2016. See also "*Business – Risk management – Credit risk – Assessment of Retail Loans" and "Business – Classification of loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*".

Wholesale Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Net interest income	Rs.84,471	Rs.83,615	US$1,289	(1.0)%
Non-interest income	39,004	38,064	587	(2.4)
Total income	123,475	121,679	1,876	(1.5)
Non-interest expenses	25,846	25,981	401	0.5
Profit before provisions	97,629	95,698	1,475	(2.0)
Provisions	35,388	108,152	1,667	205.6
Profit before tax	Rs.62,241	Rs.(12,454)	US$(192)	**N/M%**

N/M- Not meaningful

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Advances	Rs.2,564,172	Rs.2,609,440	US$40,238	1.8 %
Deposits	977,780	1,132,167	17,458	15.8 %

The loan portfolio of the wholesale banking segment increased by 1.8% from Rs. 2,564.2 billion at year-end fiscal 2015 to Rs. 2,609.4 billion at year-end fiscal 2016. The low growth in loan portfolio in the wholesale banking was primarily due to weak demand and our cautious approach towards incremental lending in this segment. The increase in the loan portfolio was primarily due to an increase in the domestic corporate loan portfolio. The current account deposits increased by 18.4% from Rs. 279.8 billion at year-end fiscal 2015 to Rs. 331.3 billion at year-end fiscal 2016 and the term deposits in the segment increased by 14.7% from Rs. 698.0 billion at year-end fiscal 2015 to Rs. 800.8 billion at year-end fiscal 2016.

The wholesale banking segment incurred a loss of Rs. 12.4 billion in fiscal 2016 compared to a profit before tax of Rs. 62.2 billion in fiscal 2015.

Net interest income decreased by 1.0% from Rs. 84.5 billion in fiscal 2015 to Rs. 83.6 billion in fiscal 2016 primarily due to the higher additions to non-performing loans, on which interest income is not accrued.

Non-interest income decreased by 2.4% from Rs. 39.0 billion in fiscal 2015 to Rs. 38.0 billion in fiscal 2016 primarily due to a decrease in fee income. The corporate fee income continued to be impacted due to limited fee income opportunities on account of subdued corporate activity.

Provisions increased from Rs 35.4 billion in fiscal 2015 to Rs 108.1 billion in fiscal 2016 primarily due to an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the restructured terms.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the Bank's exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve was over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under the Reserve Bank of India guidelines and Indian GAAP. See also "*—Selected Consolidated Financial and Operating Data - Provisions and contingencies (excluding tax provisions) - Provisions for Non-performing Assets and Restructured Loans*".

Treasury

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Net interest income	Rs. 29,632	Rs. 30,969	US$ 478	4.5 %
Non-interest income	39,779	61,457	948	54.5
Total income	69,411	92,426	1,426	33.2
Non-interest expenses	1,830	1,796	28	(1.9)
Profit before provisions	67,581	90,630	1,398	34.1
Provisions	2,894	4,467	69	54.4
Profit before tax	Rs. 64,687	Rs. 86,163	US$ 1,329	33.2 %

The following table sets forth, for the periods indicated, the closing balances of key assets and liabilities.

	Closing balance at March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Investments[1]	Rs. 1,581,528	Rs. 1,604,397	US$ 24,740	1.4 %
Borrowings	1,724,173	1,748,074	26,956	1.4 %

1. In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits of Rs. 280.7 billion (March 31, 2015: Rs. 284.5 billion) have been re-classified to line item 'Rural Infrastructure and Development Fund' under Other Assets.

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services, such as forward contracts, swaps and options. They also include investments made by ICICI Strategic Investments Fund and ICICI Equity Fund (up to September 30, 2015).

The profit before tax of the treasury segment increased by 33.2% from Rs. 64.7 billion in fiscal 2015 to Rs. 86.2 billion in fiscal 2016 primarily due to an increase in non-interest income, offset, in part, by an increase in provisions.

Net interest income increased by 4.5% from Rs. 29.6 billion in fiscal 2015 to Rs. 31.0 billion in fiscal 2016, primarily due to a decrease in cost of borrowings, offset, in part, by a decrease in yields on investments.

Non-interest income increased by 54.5% from Rs. 39.8 billion in fiscal 2015 to Rs. 61.5 billion in fiscal 2016 primarily due to a gain on sale of stakes in insurance subsidiaries and higher exchange gain on repatriation of retained earnings from overseas operations, offset, in part, by lower gains on the equity and mutual fund investments portfolio.

Provisions increased from Rs. 2.9 billion in fiscal 2015 to Rs. 4.5 billion in fiscal 2016 primarily due to an increase in provision on corporate debt securities, offset, in part, by a decrease in provision on equity shares.

Other Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Net interest income	Rs. 13,422	Rs. 15,288	US$ 236	13.9 %
Non-interest income	4,472	2,477	38	(44.6)
Total income	17,894	17,765	274	(0.7)
Non-interest expenses	5,494	4,883	75	(11.1)
Profit before provisions	12,400	12,882	199	3.9
Provisions	5,728	6,092	94	6.4
Profit before tax	Rs. 6,672	Rs. 6,790	US$ 105	1.8 %

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The following table sets forth, for the periods indicated, the outstanding balances of the key assets and liabilities.

	Outstanding balance on March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Advances	Rs. 561,366	Rs. 638,887	US$ 9,852	13.8 %
Investments	60,344	80,001	1,234	32.6
Deposits	341,775	400,943	6,183	17.3
Borrowings	Rs. 205,298	Rs. 252,530	US$ 3,894	23.0 %

Other banking business includes our leasing operations, our overseas banking subsidiaries, ICICI Bank UK, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company (up to December 31, 2014) and other items not attributable to any particular business segment of the Bank.

The profit before tax of our other banking segment increased marginally from Rs. 6.7 billion in fiscal 2015 to Rs. 6.8 billion in fiscal 2016, primarily due to an increase in net interest income and a decrease in non-interest expense, offset, in part, by a decrease in non-interest income and an increase in provisions.

Net interest income increased by 13.9% from Rs. 13.4 billion in fiscal 2015 to Rs. 15.3 billion in fiscal 2016, primarily due to an increase in net interest income of ICICI Bank UK and an increase in interest received on income tax refunds upon the completion of pending income tax assessments. Net interest income of ICICI Bank UK increased primarily due to an increase in the average volume of interest earning assets.

Non-interest income decreased by 44.6% from Rs. 4.5 billion in fiscal 2015 to Rs. 2.5 billion in fiscal 2016, primarily due to a decrease in non-interest income of ICICI Bank UK and ICICI Bank Canada. In fiscal 2015, non-interest income of ICICI Bank UK was higher primarily due to higher treasury income. Non-interest income of ICICI Bank Canada decreased primarily due to lower forex revaluation gains in fiscal 2016.

Non-interest expenses decreased from Rs. 5.5 billion in fiscal 2015 to Rs. 4.9 billion in fiscal 2016.

Provisions increased by 6.4% from Rs. 5.7 billion in fiscal 2015 to Rs. 6.1 billion in fiscal 2016 primarily due to higher provisions made by ICICI Bank UK and ICICI Bank Canada. Provisions of our UK subsidiary increased from Rs. 3.1 billion in fiscal 2015 to Rs. 3.9 billion in fiscal 2016 primarily due to specific provision made on certain existing impaired loans and an increase in collective provision, offset, in part, by a decrease in provision on investments. Provisions of our Canadian subsidiary increased from Rs. 1.1 billion in fiscal 2015 to Rs. 1.8 billion in fiscal 2016 primarily due to additional specific provision made on certain impaired loans.

Advances increased by 13.8% from Rs. 561.4 billion at year-end fiscal 2015 to Rs. 638.9 billion at year-end fiscal 2016, primarily due to an increase in advances of ICICI Bank Canada and ICICI Bank UK. Advances of ICICI Bank Canada increased from Rs. 254.2 billion at year-end fiscal 2015 to Rs. 295.5 billion at year-end fiscal 2016 primarily due to an increase in the securitized insured mortgages portfolio. In terms of Canadian dollar, the loan portfolio of ICICI Bank Canada increased from CAD 5.2 billion at year-end fiscal 2015 to CAD 5.8 billion at year-end fiscal 2016. Advances of ICICI Bank UK increased from Rs. 189.7 billion at year-end fiscal 2015 to Rs. 209.1 billion at year-end fiscal 2016 primarily due to an increase in the corporate loan book offset, in part, by a reduction in the foreign currency convertible bond portfolio on account of maturities. In U.S. dollar terms, the loan portfolio of ICICI Bank UK increased from US$ 3.0 billion at year-end fiscal 2015 to US$ 3.1 billion at year-end fiscal 2016.

Investments increased by 32.6% from Rs. 60.3 billion at year-end fiscal 2015 to Rs. 80.0 billion at year-end fiscal 2016, primarily due to an increase in investments of ICICI Bank UK and ICICI Bank Canada. The investment portfolio of ICICI Bank UK increased by 58.3% from Rs. 31.1 billion at year-end fiscal 2015 to Rs. 49.3 billion at year-end fiscal 2016 primarily due to an increase in investments in corporate bonds. Investments of ICICI Bank Canada increased on account of rupee depreciation against the Canadian dollar in fiscal 2016.

Deposits increased by 17.3% from Rs. 341.8 billion at year-end fiscal 2015 to Rs. 400.9 billion at year-end fiscal 2016 due to an increase in deposits of ICICI Bank Canada and ICICI Bank UK. Deposits of ICICI Bank Canada increased from Rs. 109.3 billion at year-end fiscal 2015 to Rs. 140.0 billion at year-end fiscal 2016 primarily due to an increase in term deposits from Rs. 78.9 billion at year-end fiscal 2015 to Rs. 101.9 billion at year-end fiscal 2016. Deposits of ICICI Bank UK increased from Rs. 142.8 billion at year-end fiscal 2015 to Rs. 163.4 billion at year-end fiscal 2016, primarily due to an increase in savings and current deposits, offset, in part, by a decrease in term deposits.

Borrowings increased by 23.0% from Rs. 205.3 billion at year-end fiscal 2015 to Rs. 252.5 billion at year-end fiscal 2016 primarily due to an increase in the borrowings of ICICI Bank UK and ICICI Bank Canada. Borrowings of ICICI Bank UK increased primarily due to an increase in inter-bank borrowings, bond borrowings and syndicated borrowings, offset, in part, by a decrease in repo borrowings. Borrowings of ICICI Bank Canada increased primarily due to an increase in securitization of insured mortgages.

Life Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Premium earned	Rs. 153,066	Rs. 191,644	US$ 2,955	25.2 %
Premium on reinsurance ceded	(1,462)	(1,657)	(25)	13.3
Net premium earned	151,604	189,987	2,930	25.3
Other income	21,377	20,365	314	(4.7)
Investment income	18,318	21,285	328	16.2
Total income	191,299	231,637	3,572	21.1
Commission paid	5,532	6,200	95	12.1
Claims/benefits paid	9,028	16,975	262	88.0
Operating expenses	17,067	19,951	308	16.9
Total expenses	31,627	43,126	665	36.4
Transfer to linked funds	108,205	139,479	2,151	28.9
Provisions for policy holder liabilities (non-linked)	35,124	31,316	483	(10.8)
Profit before tax	Rs. 16,343	Rs. 17,716	US$ 273	8.4 %

The following table sets forth, for the periods indicated, the outstanding balance of key assets and liabilities.

	Outstanding balance on March 31,		
	2015	2016	2016

				2016/2015 % change
	(in millions, except percentages)			
Investments	Rs.236,525	Rs.270,320	US$4,168	14.3 %
Assets held to cover linked liabilities	747,775	752,958	11,611	0.7
Liabilities on life policies in force	936,194	970,534	14,966	3.7

The life insurance industry in India registered a growth of 8.1% in retail weighted new business premium in fiscal 2016, according to the Life Insurance Council. The private sector registered a growth of 13.6% while ICICI Prudential Life Insurance Company registered a growth of 8.1% in fiscal 2016. This was in the context of a 41.3% growth in retail weighted new business premium for ICICI Prudential Life Insurance Company in fiscal 2015, when the overall industry had declined by 10.3% and the private sector had grown by 15.8%.

ICICI Prudential Life Insurance Company maintained its leadership position among the private sector companies with a private market share of 21.9% on a retail weighted new business premium basis in fiscal 2016 compared to 23.3% in fiscal 2015. Overall market share on this basis remained at a similar level of 11.3% in fiscal 2015 and fiscal 2016. Assets under management increased by 3.8% from Rs. 1,001.8 billion at year-end fiscal 2015 to Rs. 1,039.4 billion at year-end fiscal 2016.

The profit before tax of ICICI Prudential Life Insurance Company increased by 8.4% from Rs. 16.3 billion in fiscal 2015 to Rs. 17.7 billion in fiscal 2016 primarily due to an increase in net premium earned and investment income and a decrease in provision for policyholder liabilities, offset, in part, by an increase in transfer to linked funds and operating expenses.

The total premium income of ICICI Prudential Life Insurance Company increased by 25.2% from Rs. 153.1 billion in fiscal 2015 to Rs. 191.6 billion in fiscal 2016 primarily due to an increase in retail renewal premium. Retail renewal premium increased by 25.3% from Rs. 95.7 billion in fiscal 2015 to Rs. 120.0 billion in fiscal 2016. Retail new business premium increased by 10.7% from Rs. 49.3 billion in fiscal 2015 to Rs. 54.6 billion in fiscal 2016. Group premium increased from Rs. 8.0 billion in fiscal 2015 to Rs. 17.1 billion in fiscal 2016.

Other income of ICICI Prudential Life Insurance Company decreased by 4.7% from Rs. 21.4 billion in fiscal 2015 to Rs. 20.4 billion in fiscal 2016 primarily due to a decrease in surrender charges, foreclosure income and policy fees, offset, in part, by an increase in fund management charges and mortality charges.

Investment income of ICICI Prudential Life Insurance Company increased by 16.2% from Rs. 18.3 billion in fiscal 2015 to Rs. 21.3 billion in fiscal 2016 primarily due to an increase in net realized gains and interest income. The interest income increased from Rs. 16.1 billion in fiscal 2015 to Rs. 18.4 billion in fiscal 2016 primarily due to an increase in average investment. The net realized gains increased from Rs. 2.2 billion in fiscal 2015 to Rs. 2.9 billion in fiscal 2016.

Commission expenses of ICICI Prudential Life Insurance Company decreased by 12.1% from Rs. 5.5 billion in fiscal 2015 to Rs. 6.2 billion in fiscal 2016, primarily on account of a change in product mix from conventional products to linked products as linked products have lower commission rates.

Claims and benefit payouts of ICICI Prudential Life Insurance Company increased by 88.0% from Rs. 9.0 billion in fiscal 2015 to Rs. 17.0 billion in fiscal 2016 primarily due to an increase in surrender claims pertaining to group business.

Transfer to linked funds represents the transfer of premium received, including the renewal premium on linked policies of ICICI Prudential Life Insurance Company to investments, which has increased by 28.9% from Rs. 108.2 billion in fiscal 2015 to Rs. 139.5 billion in fiscal 2016 primarily due to an increase in total premium on linked products. The investible portion of the premium on linked policies of life insurance represents the premium income including renewal premium received on linked policies of life insurance business invested, after deducting charges and premium for risk coverage, in the underlying asset or index chosen by the policy holder.

Assets held to cover the linked liabilities of ICICI Prudential Life Insurance Company increased marginally from Rs. 747.8 billion at year-end fiscal 2015 to Rs. 753.0 billion at year-end fiscal 2016 primarily due to an increase in the linked business, which also resulted in higher linked liability.

Liability under existing life insurance policies to be paid by ICICI Prudential Life Insurance Company increased by 3.7% from Rs. 936.2 billion at year-end fiscal 2015 to Rs. 970.5 billion at year-end fiscal 2016.

General Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Gross written premium (including premium on reinsurance accepted)	Rs. 69,367	Rs. 82,960	US$ 1,279	19.6 %
Premium on reinsurance ceded	(25,091)	(28,611)	(441)	14.0
Unexpired risk reserve	(1,923)	(6,133)	(95)	218.9
Net premium earned	42,353	48,216	743	13.8
Commission income (net)	3,738	3,280	51	(12.3)
Investment income from pool[1]	218	242	4	(11.0)
Investment income	9,280	11,574	178	24.7
Total income	55,589	63,312	976	13.9
Operating expenses	13,870	17,112	264	23.4
Claims/benefits paid (net)	34,434	39,282	606	14.1
Other expenses (net)	378	(159)	(3)	(142)
Total expense	48,682	56,235	867	15.5
Profit/(loss) before tax	Rs. 6,907	Rs. 7,077	US$ 109	2.5 %

(1) Investment income from pool represents our share of income from the terrorism pool. The pool represents a multilateral reinsurance arrangement entered into by ICICI Lombard General Insurance Company together with other Indian insurance companies and the General Insurance Corporation of India. The funds belonging to the terrorism pool are administered by the General Insurance Corporation of India.

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The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance on March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Investments	Rs. 98,212	Rs. 112,788	US$ 1,739	14.8 %
Current liabilities including claims outstanding	79,885	90,754	1,399	13.6
Provisions	Rs. 25,058	Rs. 31,158	US$ 480	24.3 %

ICICI Lombard General Insurance Company was the largest private sector general insurance company in India in fiscal 2016, with a market share of 8.4% on the basis of gross direct premium income according to the General Insurance Council of India.

The profit before tax of ICICI Lombard General Insurance Company increased by 2.5% from Rs. 6.9 billion in fiscal 2015 to Rs. 7.1 billion in fiscal 2016 primarily due to an increase in net earned premium and investment income, offset, in part, by an increase in claims and benefits paid.

The gross direct premium income increased by 21.2% from Rs. 66.8 billion in fiscal 2015 to Rs. 80.9 billion in fiscal 2016 primarily due to an increase in crop/weather and motor insurance business. The net premium income increased from Rs. 42.4 billion in fiscal 2015 to Rs. 48.2 billion in fiscal 2016.

Net commission income decreased from Rs. 3.7 billion in fiscal 2015 to Rs. 3.3 billion in fiscal 2016.

Investment income increased from Rs. 9.3 billion in fiscal 2015 to Rs. 11.6 billion in fiscal 2016 primarily due to an increase in realized gains on sale of investment securities and interest income. Interest income increased from Rs. 7.1 billion in fiscal 2015 to Rs. 7.9 billion in fiscal 2016. Realized gain on sale of investment securities increased from Rs. 2.1 billion in fiscal 2015 to Rs. 3.4 billion in fiscal 2016 primarily due to higher gain on sale of corporate bonds.

Operating expenses increased from Rs. 13.9 billion in fiscal 2015 to Rs. 17.1 billion in fiscal 2016 primarily due to an increase in business support expenses, sales promotion expenses and employees' remuneration and welfare benefits, all of which are in line with the increase in business volumes.

Claims/benefits paid increased from Rs. 34.4 billion in fiscal 2015 to Rs. 39.3 billion in fiscal 2016 reflecting an increase in business and an increase in loss ratio in weather insurance business.

Investments increased by 14.8% from Rs. 98.2 billion at year-end fiscal 2015 to Rs. 112.8 billion at year-end fiscal 2016 primarily due to an increase in business volumes. Current liabilities, including claims outstanding, increased by 13.6% from Rs. 79.9 billion at year-end fiscal 2015 to Rs. 90.8 billion at year-end fiscal 2016 primarily due to an increase in claims outstanding.

Others

The “others” segment mainly includes ICICI Prudential Asset Management Company Limited, ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited.

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ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2016 according to the Association of Mutual Funds in India. The average assets under management for ICICI Prudential Mutual Fund increased primarily on account of an increase in average assets under management of equity products in fiscal 2016.

ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities Limited owns icicidirect.com, a leading online brokerage platform.

The profit before tax of the "others" segment decreased from Rs. 14.6 billion in fiscal 2015 to Rs. 14.3 billion in fiscal 2016 primarily due to a decrease in profit before tax of ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited, offset, in part, by an increase in profit before tax of ICICI Prudential Asset Management Company Limited.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Net interest income	Rs. 3,977	Rs. 4,470	US$ 69	12.4 %
Non-interest income	25,854	25,461	393	(1.5)
Total income	29,831	29,931	462	0.3
Non-interest expenses	15,140	15,501	239	2.4
Operating profit before provisions and tax	14,691	14,430	223	(1.8)
Provisions	56	178	3	217.9
Profit before tax	Rs. 14,635	Rs. 14,252	US$ 220	(2.6)%

Net interest income increased by 12.4% from Rs. 4.0 billion in fiscal 2015 to Rs. 4.5 billion in fiscal 2016.

Non-interest income decreased from Rs. 25.9 billion in fiscal 2015 to Rs. 25.5 billion in fiscal 2016 primarily due to a decrease in fees income and other income of our securities broking and primary dealership subsidiary and management fees of our venture fund management subsidiary, offset, in part, by an increase in management fees of our asset management subsidiary.

Non-interest expenses increased from Rs. 15.1 billion in fiscal 2015 to Rs. 15.5 billion in fiscal 2016 primarily due to an increase in brokerage and staff expenses of our asset management subsidiary.

The profit before tax of ICICI Securities Limited decreased from Rs. 4.5 billion in fiscal 2015 to Rs. 3.7 billion in fiscal 2016 primarily due to a decrease in fee income. Fee income decreased primarily due to a decrease in brokerage income, offset, in part, by an increase in third party product distribution fees. The brokerage income decreased due to a decrease in equity market transactions volumes on Indian stock exchanges.

The profit before tax of ICICI Securities Primary Dealership Limited decreased from Rs. 3.3 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016, primarily due to a decrease in trading gains, offset, in part, by an increase in net interest income. Trading gains were higher in fiscal 2015 due to favorable interest rate movements resulting in opportunities for participating in trading activities.

The profit before tax of ICICI Prudential Asset Management Company Limited increased from Rs. 3.8 billion in fiscal 2015 to Rs. 5.0 billion in fiscal 2016 primarily due to an increase in fee income on account of an increase in average assets under management, change in mix in favor of equity mutual funds which earn higher fees and an increase in margins on mutual funds operations. The above increase was, offset, in part, by an increase in administrative expenses and staff cost.

The profit before tax of ICICI Home Finance Company Limited decreased from Rs. 3.0 billion in fiscal 2015 to Rs. 2.7 billion in fiscal 2016 primarily due to an increase in provisions and a decrease in fees income. Net interest income remained at similar level of Rs. 2.9 billion in fiscal 2015 and fiscal 2016. Fees income decreased from Rs. 1.0 billion in fiscal 2015 to Rs. 0.9 billion in fiscal 2016. Provisions increased from Rs. 0.1 billion in fiscal 2015 to Rs. 0.2 billion.

ICICI Venture Fund Management Company Limited incurred a loss of Rs. 0.21 billion in fiscal 2016 compared to a profit of Rs. 0.1 billion in fiscal 2015 primarily due to a decrease in management fees and other income, offset, in part, by a decrease in staff costs and other administrative expenses. Management fees decreased primarily due to a decrease in accrual of fees from funds that were concluded and change in fee basis from commitment amount to net outstanding investments/outstanding capital in other funds.

Related Party Transactions

In fiscal 2017, we entered into transactions with related parties consisting of (i) associates/other related entities and (ii) key management personnel and their close family members.

Related Parties

Associates/Other Related Entities

In fiscal 2017, the following parties were identified as our associates/other related entities: ICICI Merchant Services Private Limited, India Advantage Fund-III, India Advantage Fund-IV, India Infradebt Limited, I-Process Services (India) Private Limited, NIIT Institute of Finance Banking and Insurance Training Limited, Comm Trade Services Limited, ICICI Foundation for Inclusive Growth and Catalyst Management Services Private Limited.

Akzo Nobel India Limited and FINO Pay Tech Limited ceased to be related parties effective from April 30, 2016 and January 5, 2017 respectively.

Key Management Personnel and their Close Family Members

Our key management personnel include our executive directors. The following individuals were our key management personnel in fiscal 2017: Ms. Chanda Kochhar; Mr. N. S. Kannan; Ms. Vishakha Mulye (identified as related party effective from January 19, 2016), Mr. Vijay Chandok (identified as related party effective from July 28, 2016), Mr. Anup Bagchi (identified as related party effective from February 1, 2017), Mr. K. Ramkumar (ceased to be a related party effective from April 30, 2016) and Mr. Rajiv Sabharwal (ceased to be a related party effective from January 31, 2017). The close family members of the above key management personnel are also our related parties. Close family members in relation to the executive directors means their spouses, children, siblings and parents. We have applied the Indian GAAP standard in determining the close family members of the executive directors.

Related Party Transactions

The following are the material transactions between us and our associates/other related entities or our key management personnel or their close family members. A related party transaction is disclosed as a material related party transaction whenever it exceeds 10% of all related party transactions in that category.

For additional details, see also "*Management—Compensation and Benefits to Directors and Officers—Loans*" and note 2 - "Related Party Transactions" of Schedule 18 to the consolidated financial statements included herein.

Insurance Services

During fiscal 2017, we received insurance premiums from our associates/other related entities amounting to Rs. 53 million, from key management personnel of the Bank amounting to Rs. 4 million and from the close family members of key management personnel amounting to Rs. 3 million. Our material transactions during fiscal 2017 included Rs. 30 million of premiums received from ICICI Foundation for Inclusive Growth and Rs. 17 million of premiums received from FINO PayTech Limited. The premiums received were towards cover for health insurance, personal accident, marine and miscellaneous items.

During fiscal 2017, we paid claims to our associates/other related entities amounting to Rs. 6 million. Our material transactions during fiscal 2017 include Rs. 4 million of claims paid to FINO PayTech Limited and Rs. 1 million of claims paid to Akzo Nobel India Limited.

Fees, Commission and Other Income

During fiscal 2017, we received fees, commission and other income from our associates/other related entities amounting to Rs. 26 million, from key management personnel of the Bank amounting to Rs. 2 million

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and from the close family members of key management personnel amounting to Rs. 0.0 million (insignificant amount). Our material transactions during fiscal 2017 included Rs. 22 million of fees, commission and other income received from India Infradebt Limited and Rs. 4 million of fees, commission and other income received from ICICI Merchant Services Private Limited. These transactions primarily generated management, arranger fees and bank charges for us.

During fiscal 2017, we received commission on bank guarantees from NIIT Institute of Finance, Banking and Insurance Training Limited amounting to Rs. 0.0 million (insignificant amount). These transactions primarily pertain to commission towards bank guarantees.

Recovery of lease of Premises, Shared Corporate and Facilities Expenses

During fiscal 2017, we received lease of premises, facilities and other administrative costs from our associates/other related entities amounting to Rs. 97 million. Our material transactions during fiscal 2017 included Rs. 58 million received from ICICI Foundation for Inclusive Growth and Rs. 32 million from FINO PayTech Limited. The amounts were paid by ICICI Foundation for Inclusive Growth to the Bank and by FINO PayTech Limited to ICICI Securities Limited towards their share of the shared corporate expenses, infrastructure and technology sharing charges.

Recovery of secondment of Employees

During fiscal 2017, we received compensation from I-Process Services (India) Private Limited amounting to Rs. 8 million for the recovery of secondment of our employees.

Brokerage, Fees and Other Expenses

During fiscal 2017, we paid brokerage, fees and other expenses to our associates/other related entities amounting to Rs. 6.2 billion. Our material transactions during fiscal 2017 included Rs. 3.6 billion in brokerage, fees and other expenses paid to I-Process Services (India) Private Limited and Rs. 2.4 billion in brokerage, fees and other expenses paid to ICICI Merchant Services Private Limited. These transactions primarily pertain to outsourcing services and expenses towards providing basic banking services.

Investments in securities issued by related parties

During fiscal 2017, we invested Rs. 9.8 billion in securities issued by India Infradebt Limited.

Redemption/buyback of Investments

During fiscal 2017, we received Rs. 168 million from India Advantage Fund-IV and Rs. 100 million from India Advantage Fund-III on account of redemption of venture capital units.

Custodial services

During fiscal 2017, we received custodial charges from our associates/other related entities amounting to Rs. 1 million. Our material transactions during fiscal 2017 amounted to Rs. 0.5 million of custodial charges received from India Advantage Fund-III and amounted to Rs. 0.5 million of custodial charges received from India Advantage Fund-IV.

Interest Expenses

During fiscal 2017, we paid interest on deposits to our associates/other related entities amounting to Rs. 16 million, to our key management personnel amounting to Rs. 7 million and to the close family members of key management personnel amounting to Rs. 3 million. Our material transactions during fiscal 2017 included Rs. 11 million of interest paid to India Infradebt Limited and Rs. 5 million of interest paid to Ms. Chanda Kochhar.

Interest Income

During fiscal 2017, we received interest from our associates/other related entities amounting to Rs. 189 million, from our key management personnel amounting to Rs. 11 million and from the close family members of key management personnel amounting to Rs. 0.2 million. Our material transactions during fiscal 2017 included Rs. 154 million of interest received from India Infradebt Limited and Rs. 35 million of interest received from ICICI Merchant Services Private Limited. These transactions mainly pertain to interest received on non-convertible bonds.

Reimbursement of expenses to related parties

During fiscal 2017, we reimbursed expenses to the NIIT Institute of Finance Banking and Insurance Training Limited amounting to Rs. 0.2 million.

Dividends Paid

During fiscal 2017, the Bank paid dividends to its key management personnel, amounting to Rs. 18 million and to the close family members of key management personnel amounting to Rs. 0.0 million (insignificant amount). The dividend paid during fiscal 2017 to Ms. Chanda Kochhar was Rs. 12 million, to Mr. N. S. Kannan was Rs. 2 million, Ms. Vishakha Mulye was Rs. 3 million and to Mr. Rajiv Sabharwal was Rs. 1 million.

Donations Given

During fiscal 2017, we gave donations to the ICICI Foundation for Inclusive Growth amounting to Rs. 976 million.

Related Party Balances

The following table sets forth, at the date indicated, our balance payable to/receivable from our associates/other related entities:

Items	At year-end fiscal 2017 (in million)
Deposits from related parties held by us	Rs. 3,749
Payables to related parties	731
Our investments in related parties	7,113
Investments in our shares held by related parties	..
Loans and advances to related parties[(1)]	..
Receivables from related parties	61
Guarantees issued by us for related parties	Rs. 8

The following table sets forth, at the date indicated, the balance payable to/receivable from the key management personnel:

Items	At year-end fiscal 2017 (in million, except number of shares)	
Deposits from key management personnel	Rs. 145	
Payables to key management personnel	0.0	(3)
Investments in our shares held by key management personnel	9	
Loans and advances to key management personnel[(2)]	204	
Employee stock options outstanding (numbers)	31,201,400	
Employee stock options exercised[(4)]	Rs. 171	

The following table sets forth, at the date indicated, the balance payable to/receivable from the close family members of key management personnel:

Items	At year-end fiscal 2017 (in million)
Deposits from close family members of key management personnel	Rs. 56
Payables to close family members of key management personnel	0.0 (3)
Investments in our shares held by close family members of key management personnel	0.0 (3)
Loans and advances to close family members of key management personnel[(1)]	Rs. 1

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The following table sets forth, for the period indicated, the maximum balance payable to/receivable from the key management personnel:

Items	Year ended March 31, 2017 (in million)
Deposits from key management personnel	Rs. 294
Payables to key management personnel	0.1
Investments in our shares held by key management personnel	9
Loans and advances to key management personnel[(2)]	Rs. 207

The following table sets forth, for the period indicated, the maximum balance payable to/receivable from the close family members of key management personnel:

Items	Year ended March 31, 2017 (in million)
Deposits from close family members of key management personnel	Rs. 62
Payables to close family members of key management personnel	0.0[(3)]
Loans and advances to close family members of key management personnel[(1)]	9
Investments in our shares held by close family members of key management personnel...	Rs. 0.0[(3)]

(1) The loans and advances (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

(2) The loans and advances (a) were made in the ordinary course of business and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons or (b) were made on the same terms, including interest rates and collateral, as those prevailing at the time for other employees as part of employee loan scheme, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

(3) Insignificant amount.

(4)

During fiscal 2017, 1,014,300 employee stock options were exercised by the key management personnel of the Bank, which have been reported at exercise price.

Joint Ventures and Associates

From fiscal 2008, FINO PayTech Limited (earlier known as Financial Inclusion Network & Operations Limited), I-Process Services (India) Private Limited, NIIT Institute of Finance, Banking and Insurance Training Limited and ICICI Venture Value Fund were accounted as equity affiliates on consolidated financial statements. Due to an increase in the equity stake in the ICICI Venture Value Fund from 48.0% to 54.8% in fiscal 2010 by ICICI Ventures Fund Management Company Limited, a wholly owned subsidiary of the Bank, ICICI Venture Value Fund has been consolidated as required by AS 21 on “Consolidated Financial Statements”. However, from fiscal 2014, due to redemption of units of ICICI Venture Value Fund, this entity ceased to be a consolidating entity and accordingly has not been consolidated. In fiscal 2017, ICICI Group ceased to exercise significant influence over FINO PayTech Limited and therefore this entity ceased to be an equity affiliate of the Bank, and, accordingly, has not been accounted as an equity affiliate from January 5, 2017.

From fiscal 2010, investment in Rainbow Fund and ICICI Merchant Services Private Limited were accounted as equity affiliate in Consolidated Financial Statements. However, from fiscal 2014, due to redemption of units of Rainbow Fund, this entity ceased to be an equity affiliate from its date of the redemption, and, accordingly, has not been accounted as an equity affiliate.

From fiscal 2011, investment in Mewar Aanchalik Gramin Bank was accounted as equity affiliate in Consolidated Financial Statements. However, from fiscal 2015, Mewar Aanchalik Gramin Bank and another Regional Rural Bank were amalgamated into a single Regional Rural Bank. ICICI Bank does not have any shareholding in the new Regional Rural Bank. Accordingly, this entity ceased to be an equity affiliate from its date of the amalgamation, and, accordingly, has not been accounted as an equity affiliate.

From fiscal 2013, investment in India Infradebt Limited was accounted as an equity affiliate. In fiscal 2014, TCW/ICICI Investment Partners Limited ceased to be a jointly controlled entity and accordingly, has not been consolidated. From fiscal 2015, investment in India Advantage Fund-III and India Advantage Fund-IV was accounted as an equity affiliate.

Under Indian GAAP, we have not consolidated certain entities in which investments are intended to be temporary. However, under U.S. GAAP, these entities have been consolidated in accordance with FASB ASC Subtopic 810-10, “Consolidation – Overall”.

Other Key Factors

Under U.S. GAAP, general insurance subsidiary is accounted for by the equity method of accounting as the minority shareholder (Fairfax Financial Holdings) has substantive participating rights, through joint venture agreement, as defined in ASC Subtopic 810-10, “Consolidation – Overall”. In pursuance of the proposed initial public offering, in July 2017 our general insurance joint venture agreement with Fairfax Financial Holdings was terminated in a mutual agreement, with provisions for protection of both parties in the event of non-completion of the proposed initial public offering. Accordingly, subject to protection given to Fairfax Financial Holdings in the event of non-completion of the proposed initial public offering, the general insurance subsidiary will be consolidated from fiscal 2018 under ASC Topic 810, “Consolidation” against the current equity method of accounting.

Reconciliation of Net Profit between Indian GAAP and U.S. GAAP

Our consolidated financial statements are prepared in accordance with Indian GAAP, which differs in certain significant aspects from U.S. GAAP. The following discussion explains the significant adjustments to our consolidated profit after tax under Indian GAAP in fiscal 2017, fiscal 2016 and fiscal 2015 that would result from the application of U.S. GAAP instead of Indian GAAP.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 62.4 billion in fiscal 2017 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 101.9 billion under Indian GAAP. In fiscal 2017, the net income under U.S. GAAP was lower primarily due to the higher losses due to valuation of debt and equity securities, impact of higher loan loss provisioning under U.S. GAAP as compared to Indian GAAP, the impact of differences in accounting for compensation cost under U.S. GAAP, and lower gains due to difference in consolidation accounting between Indian GAAP and U.S. GAAP, offset, in part, by the impact of amortization of loan processing fees, net of costs under U.S. GAAP and higher deferred tax benefit as compared to Indian GAAP. See also *note 20 to our* “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes*” under U.S. GAAP included herein.

The difference in accounting for the provision for loan losses resulted in a lower net income by Rs. 19.6 billion in fiscal 2017 as compared to lower net income by Rs. 28.0 billion in fiscal 2016 under U.S. GAAP, as compared to Indian GAAP. This was primarily due to differences in the methodology of computing loan loss allowances between Indian GAAP and U.S. GAAP, resulting in timing differences in the recognition of such allowances. During fiscal 2016 and fiscal 2017, the aggregate provision on troubled debt restructured loans and other impaired loans under U.S. GAAP were higher as compared to Indian GAAP, due to impaired loans under U.S. GAAP, being significantly higher than Indian GAAP at year-end fiscal 2016 and fiscal 2017. Further, provisions were also impacted due to differences in method of measurement of provisions between Indian GAAP and U.S. GAAP.

The cumulative provisions under U.S. GAAP at year-end fiscal 2017 continue to be higher than the cumulative provisions held under Indian GAAP, by Rs. 68.8 billion, as shown in the statement of stockholders' equity reconciliation. See also *note 20(a) to our* "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes*" under U.S. GAAP included herein.

The difference in accounting for business combinations resulted in lower net income under U.S. GAAP by Rs. 0.4 billion in fiscal 2017 and fiscal 2016 primarily due to the amortization of intangible assets. Under Indian GAAP, no intangible assets were created in business combinations by the Bank. However, under U.S. GAAP, intangible assets are created as required by FASB ASC Topic 805, "Business Combinations". These intangibles assets are amortized over their estimated useful lives.

The difference in accounting for consolidation resulted in lower net income by Rs. 3.6 billion in fiscal 2017 as compared to higher net income by Rs. 3.0 billion in fiscal 2016 under U.S. GAAP, as compared to Indian GAAP. There were lower gains from our insurance subsidiaries amounting to Rs. 3.3 billion as compared to Indian GAAP in fiscal 2017. Further, ICICI Group had been accounting investment in 3i Infotech Limited as an equity affiliate under U.S. GAAP, but not under Indian GAAP, till fiscal 2015. In fiscal 2016, 3i Infotech

Limited ceased to be an equity affiliate and ICICI Group's share in losses of 3i Infotech Limited accounted in earlier years under U.S. GAAP was reversed, resulting positive impact of Rs. 2.3 billion under U.S. GAAP as compared to Indian GAAP. See also *note 20(c) to our* "Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes" under U.S. GAAP included herein.

The difference in accounting for the valuation of debt and equity securities resulted in lower net income by Rs. 29.8 billion in fiscal 2017 as compared to lower net income by Rs. 5.5 billion in fiscal 2016 under U.S. GAAP as compared to Indian GAAP.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring under which conversion of debt into equity resulting acquisition of ownership interests in the borrower by banks is allowed. The Reserve Bank of India has exempted banks from consolidation of these entities. Banks, including ICICI Bank acquired equity shares in certain entities by invoking strategic debt restructuring. Under U.S. GAAP, these entities were considered as equity affiliates. The Bank opted for fair value option of these equity affiliates under ASC Topic 825 "Financial Instruments". Accordingly, provisions made on these loans under Indian GAAP were reversed in the line item "Allowance for loan losses" and fair value losses on the loans, guarantees and equity shares were accounted through income statement. This resulted in a loss of Rs. 28.7 billion in fiscal 2017 as compared to Rs. 7.5 billion in fiscal 2016 under U.S. GAAP.

Under Indian GAAP unrealized losses of held-for-trading and available-for-sale securities are taken to profit and loss account. Under Indian GAAP, net unrealized gains on investments by category are ignored. Under U.S. GAAP, unrealized gains or losses on trading assets are recognized in the profit and loss account and unrealized gains or losses on securities classified as 'available-for-sale', which include all securities classified as 'held-to-maturity' under Indian GAAP, are recognized in other comprehensive income under stockholders' equity except for the unrealized losses on securities identified as other-than-temporarily impaired which are recognized in profit and loss account. There was a negative impact of other-than-temporary impairment of Rs. 4.8 billion in fiscal 2017 as compared to Rs. 6.7 billion in fiscal 2016 under U.S. GAAP. Further, there was a positive impact of Rs. 3.4 billion in fiscal 2017 as compared to a positive impact of Rs. 5.1 billion in fiscal 2016 under U.S. GAAP, due to differences in mark-to-market accounting for available-for-sale securities.

Under U.S. GAAP, currency revaluation gains/losses on available-for-sale debt securities denominated in foreign currency, are reflected in other comprehensive income, while under Indian GAAP these changes are reflected in the profit and loss account. Such foreign currency denominated available-for-sale securities are either funded in the same currency or the exchange rate risk on these investments is covered by foreign currency forwards/swaps. The impact of currency revaluation on such funding liabilities and the derivatives is taken through the income statement under both Indian GAAP and U.S. GAAP. Therefore, while the exchange rate movement risk on foreign currency denominated available-for-sale securities is economically covered, the difference in accounting treatment of the assets under U.S. GAAP as compared to Indian GAAP results in a difference in net profit between Indian GAAP and U.S. GAAP. This has resulted in gain of Rs. 1.7 billion in fiscal 2017 as compared to a loss of Rs 1.2 billion in fiscal 2016 under U.S. GAAP as compared to Indian GAAP.

We earn fees and incur costs on the origination of loans which are recognized upfront in Indian GAAP but are amortized in U.S. GAAP. Amortization of loan origination fees and costs resulted in higher income by Rs. 7.9 billion in fiscal 2017 and fiscal 2016 under U.S. GAAP as compared to Indian GAAP. Under U.S. GAAP as compared to Indian GAAP, retirement benefit cost was lower by Rs. 0.9 billion in fiscal 2017 and Rs. 1.0 billion in fiscal 2016 due to actuarial losses which are accounted upfront in the profit and loss account under Indian GAAP, but accounted in other comprehensive income under U.S. GAAP and thereafter amortized as per U.S. GAAP accounting guidelines. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20(e)*" under U.S. GAAP included herein.

Under Indian GAAP until fiscal 2016, on the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which has been accumulated in the foreign currency translation reserve and which refers to that operation are recognized as income or expenses in the same period in which the gain or loss on disposal is recognized. From fiscal 2017 onwards under Indian GAAP, the Bank does not recognize the cumulative/proportionate amount of such exchange differences as income or expenses, which relate to repatriation of accumulated retained earnings from overseas operations, based on the guideline issued by Reserve Bank of India. Under U.S. GAAP, gain or loss accumulated in the foreign currency translation reserve is recognized in the income statement only on complete/substantially complete disposal of a non-integral foreign operation. Accordingly, profit on exchange difference on repatriation of retained earnings from overseas branches amounting to Nil under Indian GAAP was reversed under U.S. GAAP as compared to Rs. 9.5 billion in fiscal 2016. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20(j)*" under U.S. GAAP included herein.

Deferred tax benefit was higher by Rs. 13.1 billion in fiscal 2017 as compared to Rs. 7.5 billion in fiscal 2016 under U.S. GAAP as compared to Indian GAAP.

The Bank and its housing finance subsidiary create a Special Reserve through appropriation of profits, in order to avail the tax benefits as per the Income Tax Act, 1961. Such tax benefits are refundable if the funds are withdrawn from the Special Reserve in future periods. Under Indian GAAP, deferred tax liability has been recognized on such Special Reserve in accordance with the guidelines issued by Reserve Bank of India/National Housing Bank. Under U.S. GAAP, deferred taxes are recognized and measured based on the expected manner of recovery and deferred taxes are not recognized if the expected manner of recovery does not give rise to tax consequences. Accordingly, a deferred tax liability was not created on Special Reserve based on the Group’s continuing intention to not ever withdraw/utilize such Special Reserve and on an opinion from the legal counsel about non–taxability of such Special Reserve in the scenario of liquidation. This resulted in a reversal of deferred tax liability of Rs. 1.2 billion as compared to Rs. 4.6 billion in fiscal 2016, under U.S. GAAP which were recognized under Indian GAAP.

In fiscal 2016, the Bank paid current taxes and created a deferred tax asset of Rs. 5.9 billion on the foreign currency translation reserves pertaining to its overseas branches under Indian GAAP. Under U.S. GAAP, no deferred taxes are recognized on undistributed earnings of overseas branches where current taxes have been incurred, resulting in a lower deferred tax asset of Rs. 5.9 billion under U.S. GAAP. In fiscal 2017, the impact of this difference was a gain Rs. 0.2 billion under U.S. GAAP as compared to Indian GAAP.

Further, there was difference due to the positive tax impact of Rs. 13.5 billion in fiscal 2017 on U.S. GAAP adjustments over Indian GAAP as compared to the positive tax impact of Rs. 12.1 billion in fiscal 2016. See also “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20(i)*” under U.S. GAAP included herein.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 73.0 billion in fiscal 2016 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 101.8 billion under Indian GAAP. In fiscal 2016, the net income under U.S. GAAP was lower primarily due to the impact of higher loan loss provisioning of Rs. 28.0 billion under U.S. GAAP as compared to Indian GAAP, reversal of exchange gain of Rs. 9.5 billion recognized in the income statement under Indian GAAP on repatriation of retained earnings by overseas branches, higher losses of Rs. 5.5 billion on valuation of securities under U.S. GAAP and the impact of differences in accounting for compensation cost under U.S. GAAP of Rs. 3.6 billion, offset, in part, by a higher deferred tax benefit of Rs. 7.5 billion as compared to Indian GAAP, the impact of amortization of loan processing fees, net of costs of Rs. 7.9 billion under U.S. GAAP and higher profits of Rs. 0.8 billion attributable to the shareholders’ of ICICI Bank from insurance subsidiaries and higher share of gain of Rs. 2.3 billion in equity affiliate. See also “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20*” under U.S. GAAP included herein.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 73.0 billion in fiscal 2016 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 101.8 billion under

Indian GAAP. In fiscal 2016, the net income under U.S. GAAP was lower primarily due to the impact of higher loan loss provisioning of Rs. 28.0 billion under U.S. GAAP as compared to Indian GAAP, reversal of exchange gain of Rs. 9.5 billion recognized in the income statement under Indian GAAP on repatriation of retained earnings by overseas branches, higher losses of Rs. 5.5 billion on valuation of securities under U.S. GAAP and the impact of differences in accounting for compensation cost under U.S. GAAP of Rs. 3.6 billion, offset, in part, by a higher deferred tax benefit of Rs. 7.5 billion as compared to Indian GAAP, the impact of amortization of loan processing fees, net of costs of Rs. 7.9 billion under U.S. GAAP and higher profits of Rs. 0.8 billion attributable to the shareholders' of ICICI Bank from insurance subsidiaries and higher share of gain of Rs. 2.3 billion in equity affiliate. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20*" under U.S. GAAP included herein.

For a further description of significant differences between Indian GAAP and U.S. GAAP, a reconciliation of net income and stockholders' equity to U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements included herein.

Critical Accounting Policies

In order to understand our financial condition and the results of operations, it is important to understand our significant accounting policies and the extent to which we use judgments and estimates in applying those

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policies. Our accounting and reporting policies are in accordance with Indian GAAP and conform to standard accounting practices relevant to our products and services and the businesses in which we operate. Indian GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. Accordingly, we use a significant amount of judgment and estimates based on assumptions for which the actual results are uncertain when we make the estimation. See also "*Consolidated Financial Statements—Schedule 17—Significant Accounting Policies*" included herein.

ICICI Bank Limited

Accounting for Investments

ICICI Bank accounts for its investments in accordance with the guidelines on investment classification and valuation issued by the Reserve Bank of India. Investments are classified into the following categories: (a) held-to-maturity, (b) available-for-sale and (c) held-for-trading. Under each classification, we further categorize investments into (a) government securities, (b) other approved securities, (c) shares, (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

Held-to-maturity securities are carried at their acquisition cost or at the amortized cost, if acquired at a premium over the face value. Any premium over the face value of the fixed rate and floating rate securities acquired is amortized over the remaining period to maturity on a constant effective yield basis and straight line basis respectively. Equity investments in joint ventures/associates are categorized as held-to-maturity in accordance with the Reserve Bank of India guidelines. These instruments are assessed for any permanent diminution in value and appropriate provisions are made.

Available-for-sale and held-for-trading securities of the Bank are valued in accordance with the guidelines issued by the Reserve Bank of India. The Bank amortizes the premium, if any, over the face value of its fixed and floating rate investments in government securities classified as available-for-sale over the remaining period to maturity on a constant effective yield basis and straight line basis respectively. The market value of quoted investments is based on the closing quotes on recognized stock exchanges or prices declared by the Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA), periodically.

The Bank computes the market value of its unquoted government securities which are in the nature of statutory liquidity ratio securities included in the available-for-sale and held-for-trading categories in accordance with rates published by the Fixed Income Money Market and Derivatives Association.

The Bank computes the market value of unquoted non-government fixed income securities under the available-for-sale and held-for-trading category, wherever linked to the yield-to-maturity rates, with a mark-up, reflecting associated credit risk, over the yield to maturity rates for government securities published by the Fixed Income Money Market and Derivatives Association.

The Bank computes the market value of its unquoted equity shares at the break-up value, if the latest balance sheet is available. If such a balance sheet is not available, the unquoted equity shares are valued at Re. 1 in accordance with the Reserve Bank of India guidelines.

The Bank computes the market value of its securities, under the available-for-sale and held for trading categories, scrip-wise (that is, by individual securities) and the depreciation/appreciation on securities, other than those acquired by way of loans is aggregated for each category. Net appreciation in each category, if any, is ignored, as it is unrealized while net depreciation is provided for. Non-performing investments are identified based on the Reserve Bank of India guidelines. Depreciation on securities acquired by way of conversion of outstanding loan is fully provided for. Depreciation on equity shares acquired and held by the Bank under strategic debt restructuring scheme, scheme for sustainable structuring of stressed assets (S4A) and prudential norms on change in ownership of borrowing entities (change in management outside strategic debt restructuring) schemes is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the Reserve Bank of India guidelines.

The Bank accounts for repurchase, reverse repurchase and transactions with Reserve Bank of India under Liquidity Adjustment Facility as borrowing and lending transactions in accordance with the current guidelines of the Reserve Bank of India. As per the Reserve Bank of India guidelines, the Bank follows the trade date method of accounting for the purchase and sale of investments, except for government of India and state government securities, for which the settlement date method of accounting is followed.

Provisions/Write-offs on Loans and Other Credit Facilities

Provisions are generally made by ICICI Bank on standard, substandard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and unsecured portions of doubtful assets are provided/written off to the extent required by the Reserve Bank of India guidelines. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant Reserve Bank of India guidelines, are classified as non-performing loans to the extent of the amount outstanding in the host country. For loans booked in overseas branches, which are standard as per the extant Reserve Bank of India guidelines but are classified as non-performing loans based on host country guidelines, provisions are made as per the host country regulations. In respect of borrowers classified as non-cooperative borrowers, willful defaulters and non-performing assets covered under distressed assets framework of the Reserve Bank of India, the Bank makes accelerated provisions as per extant the Reserve Bank of India guidelines. The Bank held specific provisions for retail loans that are higher than the minimum regulatory requirements. The Bank held specific provisions against non-performing loans and a general provision against standard loans. The Bank also holds provisions on loans under strategic debt restructuring, S4A and change in management outside strategic debt restructuring schemes of the Reserve Bank of India.

The diminution in the fair value of a restructured loan, if any, measured in present value terms, is either written off or a provision is made to the extent of the diminution involved. A restructured loan, which is classified as a standard restructured loan, is subject to higher standard asset provisioning and higher risk weight for capital adequacy purposes than non-restructured standard loans up to the period specified in the guidelines. The specified period is a period of one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with the longest moratorium as per the restructuring package during which payment performance is monitored. The loan continues to be classified as restructured until it reverts to the normal level of standard asset provisions/risk weights for capital adequacy purposes, which is a period of one year after the end of the specified period. Banks are required to disclose the aggregate fund-based credit facilities of borrowers whose loans were restructured.

The Bank also creates general provisions on its standard loans based on the guidelines issued by the Reserve Bank of India including provisions on loans to borrowers having unhedged foreign currency exposure and provision on exposure to step-down subsidiaries of Indian companies. For performing loans in overseas branches, the general provision is made at higher of host country regulations requirement and the Reserve Bank of India requirement.

Additionally, the Bank creates provisions on individual country exposures including indirect country risk (other than for home country exposures). The countries are categorized into seven risk categories: insignificant, low, moderately low, moderate, moderately high, high and very high and provisioning is made for those exposures exceeding 180 days on a graded scale ranging from 0.25% to 25%. For exposures with a contractual maturity of less than 180 days, provision is required to be held at 25% of the rates applicable to exposures exceeding 180 days. The indirect exposure is reckoned at 50% of the exposure. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required for such country exposure.

The Bank may create floating provision for the year as per Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision can only be utilized, with the approval of Board and the Reserve Bank of India.

Transfer and Servicing of Assets

ICICI Bank transfers commercial and consumer loans through securitization transactions. The transferred loans are de-recognized, and gains/losses are accounted for only if the Bank surrenders the rights to benefits specified in the underlying securitized loan contract. Recourse and servicing obligations are accounted for net of provisions.

Under Indian GAAP, with effect from February 1, 2006, net income arising from securitization of loan assets is accounted for over the life of the securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. With effect from May 7, 2012, the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by the Reserve Bank of India. Net loss arising on account of the sell-down, securitization and direct assignment of loan assets is recognized at the time of sale.

In accordance with Reserve Bank of India guidelines, in case of non-performing/special mention account-2 loans sold to securitization company/reconstruction company, the Bank reverses the excess provision in profit and loss account in the year in which amounts are received. Any shortfall of sale value over the net book value on sale of such assets is recognized by the Bank in the year in which the loan is sold.

ICICI Prudential Life Insurance Company

Premium for non-linked policies is recognized as income when due from policyholders. For unit-linked business, premium is recognized as income when the associated units are created. Premium on lapsed policies is recognized as income when such policies are reinstated.

Income from unit-linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the unit-linked funds in accordance with terms and conditions of policies issued and are recognized when due.

Acquisition costs are costs that vary with and are primarily related to the acquisition of insurance contracts and are expensed in the period in which they are incurred.

The actuarial liabilities are calculated in accordance with accepted actuarial practice, requirements of Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015), regulations notified by the Insurance Regulatory and Development Authority of India and Actuarial Practice Standards of the Institute of Actuaries of India.

Funds for future appropriation (Unit linked) - Amounts estimated by Appointed Actuary as funds for future appropriation in respect of lapsed unit linked policies, are set aside in the Balance Sheet and are not available for distribution to Shareholders until the expiry of the maximum revival period.

Funds for future appropriation (Non-unit and Non-participating)- On the basis of recommendation of the Appointed Actuary surplus in the non-unit fund of linked line of business and non-participating funds may be held as Funds for future appropriations or appropriated to the Shareholders’ funds. When held in the policyholders’ funds, Funds for future appropriation provides capital for contingencies such as revival of lapsed or foreclosed policies.

Funds for future appropriation (Participating) - Based on the recommendation of Appointed Actuary unappropriated surplus is held in the Balance Sheet as Funds for future appropriations.

Investments are made and accounted for in accordance with the Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015), Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016, Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, Investments – Master circular, Investment Policy of the Company and various other circulars/notifications issued by the Insurance Regulatory and Development Authority of India in this context from time to time. Accordingly, unrealized gain or loss on investment is not taken into the profit and loss account except in the case of unit-linked businesses. Unrealized gains/losses arising due to changes in the fair value of equity shares and mutual fund units, in non-unit-linked policyholders' and shareholders' segments, are reflected in the "Fair value change account" in the balance sheet.

Fair Value Measurements

We determine the fair values of our financial instruments based on the fair value hierarchy established in ASC Topic 820. The standard describes three levels of inputs that may be used to measure fair value.

The valuation of Level 1 instruments is based upon the unadjusted quoted prices of identical instruments traded in active markets.

The valuation of Level 2 instruments is based upon the quoted prices for similar instruments in active markets, the quoted prices for identical or similar instruments in markets that are not active, prices quoted by market participants and prices derived from valuation models which use significant inputs that are observable in active markets. Inputs used include interest rates, yield curves, volatilities and credit spreads, which are available from public sources such as Reuters, Bloomberg, Foreign Exchange Dealers Association of India, Financial Benchmark India Private Limited and the Fixed Income Money Markets and Derivatives Association of India.

The valuation of Level 3 instruments is based on valuation techniques or models which use significant market unobservable inputs or assumptions. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable or when the determination of the fair value requires significant management judgment or estimation.

The valuation methodologies adopted by us for valuing our investments and derivatives portfolio are summarized below. A substantial portion of the portfolio is valued based on the unadjusted quoted or traded prices or based on models using market observable inputs such as interest rates, yield curves, volatilities and credit spreads available from public sources like Reuters, Bloomberg and stock exchanges.

The Rupee denominated fixed income portfolio, which includes all rupee investments in government securities and corporate bonds, is valued based on guidelines for market participants established by the Fixed Income Money Market and Derivatives Association. The Fixed Income Money Market and Derivatives Association is an association of scheduled commercial banks, public financial institutions, primary dealers and insurance companies and is a voluntary market body for bonds, derivatives and money markets in India. The international investments portfolio is generally valued on the basis of quoted prices. In certain markets, due to illiquidity, we use alternate valuation methodologies based on our own assumptions and estimates of the fair values.

A substantial part of the derivatives portfolio is valued using market observable inputs like swap rates, foreign exchange rates, volatilities and forward rates. The valuation of derivatives is carried out primarily using the market quoted swap rates and foreign exchange rates. Certain structured derivatives are valued based on counterparty quotes. The exposure regarding derivative transactions is computed and is marked against the credit limits approved for the respective counterparties.

We also hold investments and derivatives that have been valued based on unobservable inputs or that involve significant assumptions made by the management in arriving at their fair values. Such instruments are classified under Level 3 as per the classification defined in FASB ASC Topic 820 “Fair Value Measurements and Disclosures”.

A description of the valuation methodologies of Level 3 investments under U.S. GAAP

Our total investment in Level 3 instruments amounted to Rs. 148.2 billion at year-end fiscal 2017, as compared to Rs. 112.6 billion at year-end fiscal 2016. Out of the total Level 3 investments, investments amounting to Rs. 144.3 billion were India-linked and investments amounting to Rs. 3.9 billion were non-India linked. India-linked investments consisted of pass through certificates of Rs. 134.8 billion, corporate bonds of Rs. 7.7 billion and equity shares of Rs. 1.8 billion. Non-India linked investments consisted of mortgage backed securities of Rs. 3.7 billion and equity shares of Rs. 0.2 billion at year-end fiscal 2017.

Bonds that have been identified as illiquid and valued on the basis of a valuation model are classified as Level 3 instruments, only if the input used to value those securities is collected from unobservable market data or if the bonds were valued after making adjustment to the market observable data. The investment in bonds of Rs. 7.7 billion is valued at the amortized cost net of impairment or using significant management estimates and assumptions or based on market value of the underlying collateral.

Due to illiquidity in the asset backed and mortgage backed security markets, a substantial part of these securities are classified as Level 3 and valuation models are used to value these securities.

The valuation of Indian pass through certificates is dependent on the estimated cash flows that the underlying trust would pay out. The underlying trust makes assumptions with regards to various variables to arrive at the estimated cash flows. The cash flows for pass through certificates are discounted at the yield-to-maturity rates and credit spreads published by Fixed Income Money Market and Derivatives Association on month ends.

Our Canadian subsidiary holds retained interest, largely representing the excess spread of mortgage interest over the rate of return on the mortgaged backed securities, which has been recorded as available-for-sale securities in the balance sheet at fair value of Rs. 3.7 billion determined using an internal model.

The methodologies we use for validating the pricing of products which are priced with reference to market observable inputs include comparing the outputs of our models with counterparty quotes, in comparison with pricing from third party pricing tools, replicating the valuation methodology used in the model or other methods used on a case-by-case basis. The prices are also computed under various scenarios and are checked for consistency. However, for products where there are no reliable market prices or market observable inputs available, valuation is carried out using models developed using alternate approaches and incorporating proxies wherever applicable. The independent validation of pricing models is performed by an entity/unit independent of the risk management group.

Recently Issued Accounting Pronouncements under U.S. GAAP

Financial Instruments—Credit Losses

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses" (ASU 2016-13), an Update to Topic 326 – Financial instruments-Credit losses. The amendments in this Update eliminate the probable initial recognition threshold in current GAAP with respect to assets measured at amortized cost and, instead, reflect an entity's current estimate of all expected credit losses. When credit losses were measured under current GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. The amendments in this Update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. Further, credit losses on available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments in this Update require that credit losses on available-for-sale securities be presented as an allowance rather than as a write-down. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. This update will be applicable for the Group from fiscal 2021. Early adoption is permitted for annual periods beginning January 1, 2019. The Group expects that the new accounting standard guidance will result in higher allowance for credit losses. The allowance on loans and loan commitments will increase to cover credit losses over the remaining expected life of the loan portfolio. Further, the determination of allowance for loans will also require consideration of expected future changes in macroeconomic conditions. As the standard does not prescribe a specific method for estimating expected credit loss, the Group is in the process of finalizing the approach. The extent of the impact is yet to be quantified.

Revenue from contracts with customers

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from contracts with customers" (ASU 2014-09), an update to Topic 606 – Revenue from contracts with customers. The amendments in this Update require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Update also requires new qualitative and quantitative disclosures, including disaggregation of revenues and descriptions of performance obligation. The scope of the guidance excludes net interest income and many other revenues for financial assets and liabilities which includes loans, leases, securities and derivatives. Accordingly, the majority of our revenues will not be effected. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017. This update will be applicable for the Group from fiscal 2019. We are in the process of evaluating the impact of adopting this statement.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases” (ASU 2016-02), an Update to Topic 842 - Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The amendments in this Update require lessees to recognize leases on the balance sheet with lease liabilities and corresponding right-of-use asset based on the present value of lease payments and both quantitative as well as qualitative disclosures regarding key information about leasing arrangements. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with an option to early adopt. The Group does not plan to early adopt this ASU. We are in the process of evaluating the impact of adopting this statement.

Goodwill

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, "Intangibles- Simplifying the test for goodwill impairment" (ASU 2017-04), an Update to Topic 350- Intangibles- Goodwill and other. The amendments in this Update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. ASU 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. The impact of ASU will depend upon the performance of the reporting units and market conditions impacting the fair value of the reporting units in future.

Recognition and measurement of financial assets and financial liabilities

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an Update to ASC Topic 825 – Financial Instruments – Overall. The amendments in this Update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. This update will be applicable for the Group from fiscal 2019. We are in the process of evaluating the impact of adopting this statement.

Derivatives and hedging: Effect of derivative contract novations on existing hedge accounting relationships

In March 2016, the FASB issued Accounting Standards Update No. 2016-05, "Derivatives and hedging (Topic 815) Effect of derivative contract novations on existing hedge accounting relationships" (ASU 2016-05), an Update to Topic 815- Derivatives and hedging. The amendments in this Update clarify that where there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815, does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-05 is effective for interim and annual reporting periods beginning after December 15, 2016. This update will be applicable for the Group from fiscal 2018. We are in the process of evaluating the impact of adopting this statement.

Derivatives and hedging: Contingent put and call options in debt instruments

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, "Derivatives and hedging (Topic 815) Contingent put and call options in debt instruments" (ASU 2016-06), an Update to Topic 815- Derivatives and hedging.

The amendments in this Update clarify the steps required to be performed, when assessing the economic characteristics and risks of call (put) options that are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. ASU 2016-06 is effective for interim and annual reporting periods beginning after December 15, 2016. This update will be applicable for the Group from fiscal 2018. We are in the process of evaluating the impact of adopting this statement.

Non-refundable fees and other costs

In March 2017, the FASB issued Accounting Standards Update No. 2017-08, "Premium amortization on purchased callable debt securities" (ASU 2017-08), an Update to Topic 310- Receivables- Non-refundable fees and other costs. The amendments in this Update would change the accounting for callable debt securities purchased at a premium to require amortization of the premium to the earliest call date rather than to the maturity date. Accounting for callable debt securities purchased at a discount is not proposed to change and the discount would continue to amortize to the maturity date. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018. This update will be applicable for the Group from fiscal 2020. We are in the process of evaluating the impact of adopting this statement.

Convergence of Indian accounting standards with International Financial Reporting Standards

The financial statements and other financial information included or incorporated by reference in this annual report are based on our unconsolidated and consolidated financial statements under Indian GAAP. The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs, which is the law making authority for adoption of accounting standards in India, has notified these Ind AS for adoption. Further, the ministry has also issued a roadmap for transition to Ind AS by Indian companies in a phased manner starting from April 1, 2016. For banking companies and non-banking finance companies, the implementation of Ind AS will begin from April 1, 2018. For insurance companies, the implementation of Ind AS will begin from April 1, 2020. Accordingly, while ICICI Bank and our group companies other than insurance companies, would report its financials as per Ind AS from April 1, 2018 onwards. Our insurance subsidiaries would report their financials as per Ind AS from April 1, 2020. Financial statements prepared under standards different from existing GAAP may diverge significantly from the financial statements and other financial information included or incorporated by reference in this annual report. The major areas of differences include classification and mark-to-market accounting of financial assets, impairment of financial assets and allowance for expected credit losses, accounting of loan processing fees and costs, amortization of premium/discount on purchase of financial assets, consolidation accounting, employee stock options and deferred taxes.

Ind AS 109 - Financial Instruments (Standard equivalent to International Financial Reporting Standard 9) would have a significant impact on the way financial assets and liabilities are classified and measured, resulting in volatility in profit or loss and equity.

Under current Indian GAAP, loans are measured at cost, net of provision. Investments are accounted for in accordance with the extant Reserve Bank of India guidelines on investment classification and valuation which requires all investments to be classified as ‘Held to Maturity’, ‘Available for Sale’ and ‘Held for Trading’. According to the current guidelines, net loss in the available for sale and held for trading classifications is computed category-wise and recognized in the profit and loss account while net gains are ignored. As per Ind AS 109, all financial assets will have to be classified at ‘amortized cost’, ‘fair value through other comprehensive income’ or ‘fair value through profit and loss’. The above classification would be based on the business model test and the contractual cash flow test. All unrealized gains or losses for financial assets classified at fair value through other comprehensive income would be accounted for in the other comprehensive income and on assets at fair value through the profit and loss in the profit and loss account. For the Bank, based on the assessment so far, the loans are likely to primarily qualify for amortized cost accounting, except for certain loans which are originated by the Bank with an intention to sell. A significant portion of the government bonds held by the Bank in ‘Held to maturity’ under current Indian GAAP may need to be classified in ‘fair value through other comprehensive income’ category under Ind AS because of their business model of both – hold to collect contractual cash flows, as well as selling these bonds to meet liquidity and other risk management requirements. Accordingly, the unrealized gains or losses on these investments would be accounted for in the other comprehensive income under Ind AS.

We classify our assets, including those in our overseas branches, as performing and non-performing in accordance with the Reserve Bank of India’s guidelines. The Bank holds specific provisions against non-performing loans and general provision against performing loans. Non-performing loans are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India and provisions are made for sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided/written-off as per the extant Reserve Bank of India guidelines. See also “Business—Classification of Loans”. Ind AS 109 requires entities to recognize and measure a credit loss allowance or provision based on an expected credit loss model. The expected credit loss impairment model would apply to loans and debt securities measured at amortized cost or at fair value through other comprehensive income. The model is also intended to apply to outstanding non-fund facilities, undrawn fund/non-fund commitments and lease receivables. The impairment and expected credit loss requirements under Ind AS represent the most significant area of difference with the current Indian GAAP and introduces substantial requirements of management judgment, estimates and assumptions in many areas, like significant increase in credit risk, expected life of financial instruments, computation of one-year and lifetime expected credit losses and incorporation of forward looking estimates in the expected credit losses model. While the standard does not prescribe a specific method for estimating expected credit loss, the Bank proposes to build on Basel's internal ratings-based approach and estimated expected credit loss as a product of probability of default, loss given default and exposure at default. The Bank is currently developing its internal models and finalizing the assumptions and methodologies, as well as discussing with industry participants and the Indian regulator about the possible approaches to computation of expected credit losses.

Under current Indian GAAP, origination fees and costs for financial instruments, including commissions paid to direct marketing agents, are accounted for upfront. Also, under current Indian GAAP, the premium on purchase of certain investment securities is amortized, while the discount is recognized on maturity/sale of the instrument. Under Ind AS 109, origination fees (net of certain costs) and all other premiums/discounts will be amortized over the period of the financial instrument as an adjustment to the yield.

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Under current GAAP, consolidation is required only if there is ownership of more than one-half of the voting power of an enterprise or control of the composition of the Board of Directors in the case of a company or of the composition of the governing body in case of any other enterprise. Ind AS 110 - Consolidated Financial Statements establishes control as the basis for consolidation and defines the principle of control. Under Ind AS 110, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The implementation of this standard will require the Bank to exercise significant judgment to determine the entities which it controls as per the definition under Ind AS. Further, under Ind AS, proportionate consolidation can be used only in limited cases of joint control, while joint ventures would have to be consolidated using the equity method. The Bank is in early stage of evaluating entities to be consolidated as per new ‘control’ definition.

Under current Indian GAAP, the Bank follows the intrinsic value method to account for its stock-based employees’ compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. Ind AS 102 - Share-based Payment, requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values.

Under current GAAP, deferred tax assets and liabilities are recognized by considering the impact of timing differences (income approach) between the taxable income and accounting income for current year and carry forward losses as compared to Ind AS where, deferred tax assets and liabilities are recognized in respect of the temporary differences between the carrying amount of assets and liabilities for financial reporting purpose and amount used for taxation purposes.

The Bank is in the process of migrating to Ind AS based financial statements. For implementation of Ind AS, the Bank has formed a Steering Committee which has members from various functions. The Committee meets regularly to supervise the progress of the project. An update on the implementation status is also submitted to the Audit Committee at quarterly intervals. The Bank’s Ind AS implementation project also focusses on technical evaluation of GAAP differences, selection of accounting policies and choices, evaluation of system changes and data requirements, business impact analysis and skill development in the Bank through regular trainings and workshops. The implementation of Ind AS will require significant system developments primarily related to amortization of loan origination fees and costs, expected credit loss accounting, preparation of financial statements and generation of management information. It also poses challenge for collection and validation of historical data. The Group companies of the Bank are also running similar Ind AS implementation projects in co-ordination with the parent Bank.

Management

Directors and Executive Officers

Our board of directors, consisting of 12 members at June 30, 2017, is responsible for the management of our business. Our organizational documents provide for a minimum of three directors and a maximum of 21 directors, excluding the government director and the debenture director (defined below), if any. We may, subject to the provisions of our organizational documents and the Companies Act, change the maximum number of directors by a special resolution, which has to be approved by our shareholders. Approval of a special resolution requires that the votes cast by members in favor of the resolution are not less than three times the number of the votes, if any, cast against the resolution. In addition, under the Banking Regulation Act 1949, the Reserve Bank of India may require us to convene a meeting of our shareholders for the purposes of appointing new directors to our Board of Directors.

The Banking Regulation Act requires that at least 51% of our directors should have special knowledge or practical experience in banking and areas relevant to banking including accounting, finance, agriculture, small scale industry. All of our directors are professionals with special knowledge of one or more of the above areas. The Reserve Bank of India in November 2016 has broadened the fields of specialization to include information technology, payment & settlement systems, human resources, risk management and business management. The appointment of the chairman and executive directors requires the approval of the Reserve Bank of India, in addition to the approval of shareholders required for appointment of all directors other than the government director and the debenture director. In classification of directors as independent, we have relied on the declaration of independence provided by the independent directors as prescribed under the Companies Act and placed at the board meeting held in April 2017, applicable Reserve Bank of India guidelines and circulars and legal advice. The Companies Act excludes the government director from the definition of independent director. The Reserve Bank of India has also prescribed ‘fit and proper’ criteria to be considered while appointing persons as directors of banking companies. Our directors (other than the government director) are required to make declarations confirming their ongoing compliance of the ‘fit and proper’ criteria. Our Board Governance, Remuneration & Nomination Committee/Board of Directors has reviewed the declarations received from the directors in this regard and determined that all our directors satisfy the ‘fit and proper’ criteria. Further, pursuant to the Reserve Bank of India guidelines, a person is eligible for appointment as director if he or she is between 35 and 70 years of age.

Our organizational documents also provide that we may execute trust deeds in respect of our debentures under which the trustee or trustees may appoint a director, known as the debenture director. The debenture director is not subject to retirement by rotation and may only be removed as provided in the relevant trust deed. Currently, there is no debenture director on our Board of Directors.

Of our 12 directors, five directors are in our whole-time employment or executive directors, one is a government director and the remaining six directors are independent directors. The Government of India through its letter dated

January 16, 2017, has nominated Mr. Amit Agrawal, Joint Secretary, Department of Financial Services, Ministry of Finance, as a Director on the Board of ICICI Bank effective January 16, 2017, in place of Mr. Alok Tandon. Of the six independent directors, Mr. M. K. Sharma is the Chairman of our Board and the others are company/corporate executives, retired company executives, advisors and chartered accountants. Of the six independent directors, two have specialized knowledge in respect of agriculture and rural economy or small scale industry.

The Companies Act provides that an independent director shall not hold office for more than two consecutive terms of five years each provided that the director is re-appointed by passing a special resolution on completion of the first term of five consecutive years. To compute the period of five consecutive years, the tenure of every independent director was reckoned afresh from April 1, 2014. Pursuant to the provisions of the Banking Regulation Act, none of the directors other than the Chairman and executive directors may hold office continuously for a period exceeding eight years. The Companies Act also provides that in respect of banking companies, the provisions of the Companies Act shall apply except in so far as they are inconsistent with the provisions of the Banking Regulation Act.

Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of directors (other than independent directors) are subject to retirement by rotation. The government director and the debenture director are not subject to retirement by rotation as per our organizational documents. One-third of the directors liable to retire by rotation must retire from office at each annual general meeting of shareholders. A retiring director is eligible for re-election.

Pursuant to the approval granted by the Reserve Bank of India, Mr. M. K. Sharma was appointed as the independent non-executive Chairman of our Board effective July 1, 2015 up to June 30, 2018. The appointment was approved by our shareholders through postal ballot on April 22, 2016.

Ms. Chanda Kochhar was appointed as Executive Director effective April 1, 2001, designated as Deputy Managing Director effective April 29, 2006 and Joint Managing Director and Chief Financial Officer effective October 19, 2007. She was appointed as Managing Director and CEO for a period of five years effective May 1, 2009. The shareholders at the annual general meeting held on June 24, 2013, approved the re-appointment of Ms. Chanda Kochhar for a period of five years effective April 1, 2014 up to March 31, 2019. The Reserve Bank of India has also approved the re-appointment of Ms. Chanda Kochhar for the same period.

Mr. N. S. Kannan was appointed as Executive Director, for a period of five years, effective May 1, 2009. The shareholders at the annual general meeting held on June 24, 2013 approved the re-appointment of Mr. N. S. Kannan for a period of five years effective May 1, 2014 up to April 30, 2019. The Reserve Bank of India has also approved the re-appointment of Mr. N. S. Kannan for the same period.

The Board of Directors at its meeting held on November 16, 2015 appointed Ms. Vishakha Mulye as Executive Director for a period of five years effective from the date of receipt of the Reserve Bank of India approval. Pursuant to approval granted by the Reserve Bank of India, Ms. Vishakha Mulye was appointed as an Executive Director on the Board of the Bank effective January 19, 2016 for a period of three years. The shareholders through postal ballot on April 22, 2016 approved the appointment of Ms. Vishakha Mulye for a period of five years effective January 19, 2016 up to January 18, 2021.

The Board of Directors at its meeting held on April 29, 2016 and the shareholders at the annual general meeting held on July 11, 2016 approved the appointment of Mr. Vijay Chandok as Executive Director for a period of five years effective from the date of receipt of approval of the Reserve Bank of India. The Reserve Bank of India approved the appointment of Vijay Chandok for a period of three years effective from July 28, 2016 up to July 27, 2019.

The Board of Directors at its meeting held on October 14, 2016 appointed Mr. Anup Bagchi as Executive Director for a period of five years effective from February 1, 2017 or the date of receipt of approval from the Reserve Bank of India, whichever is later. The Reserve Bank of India granted its approval for appointment of Mr. Anup Bagchi for a period of three years effective February 1, 2017 up to January 31, 2020. Shareholders at the annual general meeting held on June 30, 2017 approved the appointment of Mr. Anup Bagchi for a period of five years effective February 1, 2017.

Mr. Rajiv Sabharwal who was appointed as Executive Director effective June 24, 2010 stepped down from his position as Executive Director effective close of business hours on January 31, 2017.

In May 2017, the Reserve Bank of India issued guidelines on minimum qualifications and experience required while inviting applications for the position of Chief Financial Officer and Chief Technology Officer in banks.

Our Board of Directors had the following members at June 30, 2017:

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at June 30, 2017
Mr. Mahendra Kumar Sharma Independent Non-Executive Chairman	70	July 1, 2015 (Date of appointment as non-executive Chairman)	**Non-Executive Chairman** United Spirits Limited **Director** Asian Paints Limited Wipro Limited Atria Convergence Technologies Private Limited Gwalior Webbing Company Private Limited East India Investment Company Private Limited BIC-Cello Exports Private Limited Cello Plastic Products Private Limited Cello Pens Private Limited **Member – Executive Board** Indian School of Business **Member – Board of Governors** The Anglo Scottish Education Society Ltd.
Mr. Dileep Choksi Independent Non-Executive Director **Profession**: Advisor	67	April 26, 2013	**Director** Arvind Limited AIA Engineering Limited Lupin Limited Swaraj Engines Limited Tata Housing Development Company Limited Hexaware Technologies Limited

			Miramac Properties Private Limited ICICI Home Finance Company Limited Vardan Ceqube Advisors Private Limited
Mr. Homi Khusrokhan Independent Non-Executive Director **Profession**: Advisor	73	January 21, 2010	**Director** Amanta Healthcare Limited Novalead Pharma Private Limited Samson Maritime Limited Strides Shasun Limited **Member – Board of Governors** The Anglo Scottish Education Society Ltd.
Dr. Tushaar Shah Independent Non-Executive Director **Profession**: Advisor	65	May 3, 2010	**Director** Niti Shala Foundation - Anand DSC Foundation

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at June 30, 2017
Mr. V. K. Sharma Independent Non-Executive Director **Profession**: Chairman, Life Insurance Corporation of India	58	March 6, 2014	**Chairman** Life Insurance Corporation of India LIC Pension Fund Limited LIC Mutual Fund Asset Management Limited LIC Housing Finance Limited LIC Cards Services Limited LICHFL Asset Management Company Limited Life (International) B.S.C Bahrain Life Insurance Corporation (LIC) of Bangladesh Limited LIC (Lanka) Limited Life Insurance Corporation (Nepal) Limited Life Insurance Corporation (Singapore) Pte Ltd. **Director** ACC Limited Kenindia Assurance Company Limited
Mr. V. Sridar Independent Non-Executive Director **Profession**: Advisor	69	January 21, 2010	**Non-Executive Chairman** Centrum Housing Finance Limited **Director** Aadhar Housing Finance Limited Cent Bank Home Finance Limited ICICI Prudential Life Insurance Company Limited IDFC AMC Trustee Company Limited Ponni Sugars (Erode) Limited Seshasayee Paper & Boards Limited Prosperous Housing Finance Limited

			DHFL VYSYA Housing Finance Limited
Mr. Amit Agrawal Government Nominee Director **Profession**: Government Service	47	January 16, 2017	None
Ms. Chanda Kochhar Managing Director and CEO **Profession**: Company Executive	55	April 1, 2001	**Chairperson** ICICI Bank Canada ICICI Prudential Life Insurance Company Limited ICICI Lombard General Insurance Company Limited ICICI Prudential Asset Management Company Limited ICICI Securities Limited **Director** Catalyst
Mr. N. S. Kannan Executive Director **Profession**: Company Executive	52	May 1, 2009	**Chairman** ICICI Securities Primary Dealership Limited ICICI Bank UK Plc. **Director** ICICI Bank Canada ICICI Prudential Life Insurance Company Limited ICICI Lombard General Insurance Company Limited ICICI Prudential Asset Management Company Limited

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at June 30, 2017
Ms. Vishakha Mulye Executive Director **Profession**: Company Executive	48	January 19, 2016	**Director** ICICI Securities Limited
Mr. Vijay Chandok Executive Director **Profession**: Company Executive	49	July 28, 2016	**Chairman** ICICI Investment Management Company Limited **Director** ICICI Bank UK Plc. ICICI Bank Canada
Mr. Anup Bagchi Executive Director **Profession**: Company Executive	46	February 1, 2017	**Chairman** ICICI Home Finance Company Limited **Director** ICICI Securities Limited Comm Trade Services Limited

Our executive officers at June 30, 2017 were as follows:

Name	Age	Designation and Responsibilities	Years of work experience	Total remuneration in fiscal 2017[(1)] (in Rupees)	Bonus for fiscal 2017 (in Rupees)	Stock options granted for fiscal 2016	Stock options granted for fiscal 2017[(2)]	Total stock options granted through June 30, 2017[(3)]	Total stock options outstanding at June 30, 2017	Shareholding at June 30, 2017[(4)]
Ms. Chanda Kochhar	55	Managing Director and CEO	33	56,480,383	22,028,362	3,822,500	1,512,500	20,157,500	16,866,300	2,515,287
Mr. N. S. Kannan	52	Executive Director	29	39,176,449	14,766,738	1,853,500	753,500	8,890,200	7,447,000	468,737
Ms. Vishakha Mulye	48	Executive Director	24	38,197,410	14,766,738	753,500	753,500	5,554,863	4,312,000	647,487
Mr. Vijay Chandok	49	Executive Director	26	36,630,284	13,539,876	1,314,500	753,500	6,908,550	6,043,950	1,940
Mr. Anup Bagchi	46	Executive Director	25	14,680,607	5,601,428	-	753,500	4,896,925	4,130,500	-
Mr. Rakesh Jha	45	CFO	21	25,754,027	10,015,833	781,550	365,750	4,428,875	3,501,300	14,850

(1) Includes salary and other benefits and ICICI Bank's contribution to superannuation fund, provident and gratuity fund paid for fiscal 2017 and excludes the deferred component of bonus for fiscal 2013 and fiscal 2014 which were paid in fiscal 2017.

(2) Stock options to executive directors are subject to approval of the Reserve Bank of India.

(3) Includes special grant of stock options approved by the Reserve Bank of India on November 2015 aggregating to 2,310,000 for Ms. Chanda Kochhar and 1,100,000 for Mr. N.S. Kannan, 770,000 for Mr. Vijay Chandok and 478,500 for Mr. Rakesh Jha.

(4) Each stock option, once exercised, is equivalent to one equity share of ICICI Bank. ICICI Bank granted these stock options to its executive officers at no cost. See also "—*Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme*" for a description of the other terms of these stock options.

(5) Executive officers and directors (including non-executive directors) as a group held about 0.06% of ICICI Bank's equity shares as of this date.

(6) The Bank issued one bonus share for every 10 equity shares in June, 2017. Number of stock options have been adjusted accordingly.

Ms. Chanda Kochhar has a post-graduate degree in management from Jamnalal Bajaj Institute of Management Studies, Mumbai and a degree in cost and works accountancy from the Institute of Cost and Works Accountants of India. She started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate banking, infrastructure financing, e-commerce, strategy, retail banking, international banking and finance. She was appointed to our Board as an Executive Director in April 2001. Our Board designated her as Deputy Managing Director effective April 29, 2006 and as Joint Managing Director and Chief Financial Officer effective October 19, 2007. Effective May 1, 2009 our Board appointed Ms. Chanda Kochhar as Managing Director and CEO.

Mr. N. S. Kannan is a graduate in mechanical engineering, a post-graduate in management from the Indian Institute of Management, Bangalore and a chartered financial analyst from the Institute of Chartered Financial Analysts of India. He joined ICICI in 1991. He has worked in the areas of corporate finance, infrastructure finance, structured finance, treasury and life insurance. He was Chief Financial Officer and Treasurer of ICICI Bank from 2003 to 2005 and Executive Director on the board of ICICI Prudential Life Insurance Company from 2005 to 2009. Our Board of Directors appointed him as Executive Director and Chief Financial Officer effective

May 1, 2009. Our board re-designated Mr. Kannan as Executive Director, effective October 25, 2013. His responsibilities include finance, treasury, legal, operations, risk management, secretarial, corporate communications, corporate branding and the strategic solutions group. The compliance and internal audit functions have administrative reporting to Mr. Kannan.

Ms. Vishakha Mulye is a chartered accountant and joined ICICI in 1993. She has worked in the areas of strategy, finance, treasury and markets, structured finance, corporate and project finance, insurance and private equity. She was the Chief Financial Officer of ICICI Bank from 2005 to 2007, Executive Director of ICICI Lombard General Insurance Company from 2007 to 2009, and Managing Director and Chief Executive Officer of ICICI Venture Funds Management Company from 2009 to 2015. She was appointed as an Executive Director of ICICI Bank effective January 19, 2016 and is responsible for wholesale banking.

Mr. Vijay Chandok is a post-graduate in management from Narsee Monjee Institute of Management Studies, Mumbai. He joined ICICI in 1993 and has worked in the areas of corporate banking, small enterprises and retail banking. He was designated as Group Executive-International Banking in April 2010 and re-designated as President effective May 10, 2011. Mr. Chandok was appointed as Executive Director for a period of five years by the shareholders at the annual general meeting held on July 11, 2016 subject to approval of the Reserve Bank of India. The Reserve Bank of India has approved the appointment of Mr. Chandok for a period of three years effective from July 28, 2016. He is responsible for the commercial banking group, small and medium enterprises business and international banking.

Mr. Anup Bagchi has a management degree from the Indian Institute of Management, Bangalore and an engineering degree from the Indian Institute of Technology, Kanpur. Mr. Bagchi joined the ICICI Group in 1992 and has worked in the areas of retail banking, corporate banking, treasury, capital markets and investment banking. From 2011 to 2016, Mr. Anup Bagchi was the Managing Director and Chief Executive Officer of ICICI Securities Limited. Pursuant to approval granted by the Reserve Bank of India, Mr. Bagchi assumed office as an Executive Director effective February 1, 2017. He is responsible for retail and rural and inclusive banking.

Mr. Rakesh Jha is an engineering graduate from the Indian Institute of Technology at Delhi and a post-graduate in management from the Indian Institute of Management, Lucknow. He joined ICICI in 1996 and has worked in various areas including planning, strategy, finance and treasury. He was designated the Deputy Chief Financial Officer of ICICI Bank in May 2007 and Chief Financial Officer in October 2013. His responsibilities include financial reporting, planning and strategy and asset-liability management.

Corporate Governance

Our corporate governance policies recognize the accountability of the Board and the importance of making the Board transparent to all our constituents, including employees, customers, investors and the regulatory authorities, and for demonstrating that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance framework is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board committees, generally comprising a majority of independent Directors and most of the Committees being chaired by independent Directors, to oversee critical areas and functions of executive management.

Our corporate governance philosophy encompasses regulatory and legal requirements, such as the compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

Our Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of our Board include:

- approving corporate philosophy and mission;
- participating in the formulation of strategic and business plans;
- reviewing and approving financial plans and budgets;
- monitoring corporate performance against strategic and business plans, including overseeing operations;

- ensuring ethical behavior and compliance with laws and regulations;
- reviewing and approving borrowing limits;
- formulating exposure limits; and
- keeping shareholders informed regarding plans, strategies and performance.

To enable our Board of Directors to discharge these responsibilities effectively, executive management provides detailed reports on its performance to the Board on a quarterly basis.

Our Board functions either as a full board or through various committees constituted to oversee specific operational areas. These Board committees meet regularly. The constitution and main functions of the various committees are given below.

Audit Committee

As of the date of filing this annual report, the Audit Committee comprises three independent Directors - Mr. Homi Khusrokhan, Mr. Dileep Choksi, and Mr. V. Sridar. The Audit Committee is chaired by Mr. Homi Khusrokhan, an independent Director. Mr. Dileep Choksi, an independent Director, is the alternate Chairman. Mr. Homi Khusrokhan, Mr. Dileep Choksi and Mr. V. Sridar are chartered accountants. Our Board of Directors has also determined that Mr. Dileep Choksi qualifies as an Audit Committee financial expert.

The Audit Committee provides direction to the audit function and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee include examining the financial statements and auditors' report and overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, review of the quarterly and annual financial statements before submission to the Board, recommendation of appointment, terms of appointment, fixing remuneration and removal of central and branch statutory auditors and chief internal auditor, approval of payment to statutory auditors for other permitted services rendered by them, review and monitor with the management the auditor's independence, performance and effectiveness of audit process, approval of transactions with related parties or any subsequent modifications, review of statement of significant related party transactions, review of functioning of the whistle blower policy, review of the adequacy of internal control systems and the internal audit function, review of compliance with inspection and audit reports and reports of statutory auditors, review of the findings of internal investigations, review of management letters/ letters on internal control weaknesses issued by statutory auditors, reviewing with the management the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take steps in this matter, discussion on the scope of audit with external auditors, examination of reasons for substantial defaults, if any, in payment to stakeholders, valuation of undertakings or assets, evaluation of risk management systems, scrutiny of inter-corporate loans and investments. The Audit Committee is also empowered to appoint/oversee the work of any registered public accounting firm, establish procedures for receipt and treatment of complaints received regarding accounting and auditing matters and engage independent counsel and also provide for appropriate funding for compensation to be paid to any firm/advisors. In addition, the Audit Committee also exercises oversight on the regulatory compliance function of the Bank. The Audit Committee is also empowered to approve the appointment of the Chief Financial Officer (i.e., the wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

All audit and non-audit services to be provided by our principal accountants are pre-approved by the Audit Committee before such services are provided to us.

Board Governance, Remuneration & Nomination Committee

As of the date of filing this annual report, the Board Governance, Remuneration & Nomination Committee comprises three independent Directors - Mr. Homi Khusrokhan, Mr. M. K. Sharma and Mr. V. K. Sharma. Mr. Homi Khusrokhan, an independent Director, is the Chairman of the Committee.

The functions of the Committee include recommending appointments of Directors to the Board, identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommending to the Board their appointment and removal, formulating a criteria for the evaluation of the performance of the wholetime/independent Directors and the Board and to extend or continue the term of appointment of independent Director on the basis of the report of performance evaluation of independent Directors, recommending to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees, recommending to the Board the remuneration (including performance bonus and perquisites) to Whole-time Directors, commission and fee payable to non-executive Directors subject to applicable regulations, approving the policy for and quantum of bonus payable to the members of the staff including senior management and key managerial personnel, formulating the criteria for determining qualifications, positive attributes and independence of a Director, framing policy on Board diversity, framing guidelines for the Employees Stock Option Scheme and deciding on the grant of the Bank's stock options to employees and whole-time Directors of the Bank and its subsidiary companies.

Corporate Social Responsibility Committee

As of the date of filing this annual report, the Corporate Social Responsibility Committee comprises four directors - Dr. Tushaar Shah, Mr. Dileep Choksi, Mr. Amit Agrawal and Ms. Chanda Kochhar. Dr. Tushaar Shah, an independent Director, is the Chairman of the Committee.

The functions of the Committee include review of corporate social responsibility initiatives undertaken by the ICICI Group and the ICICI Foundation for Inclusive Growth, formulation and recommendation to the Board of a corporate social responsibility policy indicating the activities to be undertaken by the Company and recommendation of the amount of the expenditure to be incurred on such activities, reviewing and recommending the annual corporate social responsibility plan to the Board, making recommendations to the Board with respect to the corporate social responsibility initiatives, policies and practices of the ICICI Group, monitoring the corporate social responsibility activities, implementation and compliance with the corporate social responsibility policy and reviewing and implementing, if required, any other matter related to corporate social responsibility initiatives as recommended/suggested by the Reserve Bank of India or any other body.

Credit Committee

As of the date of filing this annual report, the Credit Committee comprises three directors - Mr. M. K. Sharma, Mr. Homi Khusrokhan and Ms. Chanda Kochhar. Mr. M. K. Sharma, an independent Director, is the Chairman of the Committee.

The functions of this Committee include review of developments in key industrial sectors, major credit portfolios and approval of credit proposals as per the authorization approved by the Board.

Customer Service Committee

As of the date of filing this annual report, the Customer Service Committee comprises four directors - Mr. V. Sridar, Dr. Tushaar Shah, Ms. Chanda Kochhar and Mr. Anup Bagchi. Mr. V. Sridar an independent Director, is the Chairman of the Committee.

The functions of the Committee include review of customer service initiatives, overseeing the functioning of the Customer Service Council and evolving innovative measures for enhancing the quality of customer service and improvement in the overall satisfaction level of customers.

Fraud Monitoring Committee

As of the date of filing this annual report, the Fraud Monitoring Committee comprises five directors - Mr. V. Sridar, Mr. Dileep Choksi, Mr. Homi Khusrokhan, Ms. Chanda Kochhar and Mr. Anup Bagchi. Mr. V. Sridar, an independent Director, is the Chairman of the Committee.

The Committee monitors and reviews all the frauds involving an amount of Rs. 10 million and above with the objective of identifying the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to rectify the same. The functions of this Committee include identifying the reasons for delay in detection, if any, and reporting to top management of the Bank and the Reserve Bank of India on the same. The progress of investigation and recovery position is also monitored by the Committee. The Committee also ensures that staff accountability is examined at all levels in all the cases of frauds and action, if required, is completed quickly without loss of time. The role of the Committee is also to review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls and putting in place other measures as may be considered relevant to strengthen preventive measures against frauds.

Information Technology Strategy Committee

As of the date of filing this annual report, the Information Technology Strategy Committee comprises three directors - Mr. Homi Khusrokhan, Mr. V. Sridar and Ms. Chanda Kochhar. Mr. Homi Khusrokhan, an independent Director, is the Chairman of the Committee.

The functions of the Committee are to approve strategy for information technology and policy documents, ensure that information technology strategy is aligned with business strategy, review information technology risks, ensure proper balance of information technology investments for sustaining the Bank's growth, oversee the aggregate funding of information technology at Bank-level, ascertain if the management has resources to ensure the proper management of information technology risks and review contribution of information technology to our business.

Risk Committee

As of the date of filing this annual report, the Risk Committee comprises six directors - Mr. M. K. Sharma, Mr. Dileep Choksi, Mr. Homi Khusrokhan, Mr. V. K. Sharma, Mr. V. Sridar, and Ms. Chanda Kochhar. Mr. M. K. Sharma, an independent Director, is the Chairman of the Committee.

The functions of the Committee are to review ICICI Bank's risk management policies pertaining to credit, market, liquidity, operational, outsourcing, reputation risks and business continuity plan and disaster recovery plan. The functions of the Committee also include review of the Enterprise Risk Management framework, risk appetite framework, stress testing framework, Internal Capital Adequacy Assessment Process and framework for capital allocation; review of the status of Basel II and Basel III implementation, risk return profile of the Bank, risk dashboard covering various risks, outsourcing activities and the activities of the Asset Liability Management Committee. The Committee also has oversight on risks of subsidiaries covered under the Group Risk Management Framework.

Stakeholders Relationship Committee

As of the date of filing this annual report, the Stakeholders' Relationship Committee comprises three directors -Mr. Homi Khusrokhan, Mr. V. Sridar and Mr. N. S. Kannan. Mr. Homi Khusrokhan, an independent Director, is the Chairman of the Committee.

The functions and powers of the Committee include approval and rejection of transfer or transmission of equity shares, preference shares, bonds, debentures and securities, issue of duplicate certificates, allotment of shares and securities issued from time to time, review redressal and resolution of grievances of shareholders, debenture holders and other security holders, delegation of authority for opening and operation of bank accounts for payment of interest, dividend and redemption of securities and the listing of securities on stock exchanges.

Review Committee for Identification of Willful Defaulters/Non Co-operative Borrowers

The Managing Director & CEO is the Chairperson of this Committee and any two independent Directors comprise the remaining members.

The function of this Committee is to review the order of the Committee for identification of willful defaulters/non co-operative borrowers (a Committee comprising wholetime Directors and senior executives of the Bank to examine the facts and record the fact of the borrower being a willful defaulter/non co-operative borrower) and confirm the same for the order to be considered final.

Code of Ethics

We have adopted a Group Code of Business Conduct and Ethics for our directors and all our employees. This code aims at ensuring consistent standards of conduct and ethical business practices across the constituents of the Company and is reviewed on an annual basis. We have not granted a waiver from any provision of the code to any of our directors or executive officers.

Principal Accountant: Fees and Services

The total fees to our principal accountant relating to the audit of consolidated financial statements for fiscal 2016 and fiscal 2017 and the fees for other professional services billed in fiscal 2016 and fiscal 2017 are as follows:

	Year ended March 31,		
	2016	2017	2017
	(in millions)		(in thousands)
Audit			
Audit of ICICI Bank Limited and our subsidiaries	Rs. 270	Rs. 280	US$ 4,313
Audit-related services			
Opinion on non-statutory accounts presented in Indian Rupees	10	17	264
Others	14	24	368
Sub-total	294	321	4,945
Non-audit services			
Tax services	–	–	–
Tax compliance	4	4	61
Other services	3	2	36
Sub-total	7	6	97
Total	Rs. 301	Rs. 327	US$ 5,042

Fees for "other services" under the non-audit services category are principally fees related to advisory and certification services. Our Audit Committee approved the fees paid to our principal accountant relating to audit of consolidated financial statements for fiscal 2017 and fees for other professional services billed in fiscal 2017. Our Audit Committee pre-approves all assignments undertaken for us by our principal accountant.

Summary Comparison of Corporate Governance Practices

The following is a summary comparison of significant differences between our corporate governance practices and those required by the New York Stock Exchange for United States issuers.

Independent Directors. A majority of our Board are independent directors, as defined under applicable Indian legal requirements. Section 149 of the Companies Act notified effective April 1, 2014 has defined an independent director and specified the eligibility criteria for a director to be classified as independent. The criteria include that a director in order to be independent should not have any pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year. Exemptions have been prescribed for certain transactions, which may be in the ordinary course of business and at arm's length. As per the Companies Act, every independent director at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his/her independent status is required to give a declaration that he/she meets the relevant criteria. In classification of the directors as independent, we have relied on the declarations provided by the directors as prescribed under the Companies Act and placed at the board meeting held on April 6-7, 2017, applicable Reserve Bank of India guidelines and circulars and legal advice obtained in this regard. The Board has accordingly determined the independence of these directors. Pursuant to the Companies Act, the director nominated by Government of India would not be classified as independent. Although the judgment on independence must be made by our Board as required under the Companies Act, there is no requirement that our Board affirmatively make such determination, in accordance with the independence test as required by the New York Stock Exchange rules.

Non-Management Directors Meetings. The Companies Act requires independent directors to meet at least once a year without the non-independent directors and members of the management. The independent directors at such meetings are required to review the performance of the Chairman, non-independent directors and the Board as a whole. The independent directors met on May 3, 2017 to carry out these reviews. Prior to this, the independent directors had met separately before the Board meeting held on April 29, 2016.

Board Governance, Remuneration & Nomination Committee and Audit Committee. All members of our Board Governance, Remuneration & Nomination Committee are independent, as defined under applicable Indian legal requirements. All members of our Audit Committee are independent under Rule 10A-3 under the Exchange Act. The constitution and main functions of these committees as approved by our Board are described above and comply with the spirit of the New York Stock Exchange requirements for United States issuers.

Corporate Governance Guidelines. Under New York Stock Exchange rules, United States issuers are required to adopt and disclose corporate governance guidelines addressing matters such as standards of director qualification, responsibilities of directors, director compensation, director orientation and continuing education, management succession and annual performance review of the board of directors. While as a foreign private issuer, we are not required to adopt such guidelines, under the home country regulations, pursuant to the notification of the Companies Act, the Bank has disclosed the policy on director appointments and remuneration including criteria for determining qualifications and independence of a director in its Indian annual report to shareholders for fiscal 2017. The Bank is also required to provide a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors and this statement has been included in the Indian annual report.

Compensation and Benefits to Directors and Officers

Remuneration

Under our organizational documents, each non-executive Director, except the government director, is entitled to receive remuneration for attending each meeting of our Board or of a Board committee. The amount of remuneration payable to non-executive directors is set by our Board from time to time in accordance with limits prescribed by the Companies Act and the rules thereunder. The Board of Directors has approved the payment of Rs. 100,000 as sitting fee for each meeting of the Board and Rs. 20,000 as sitting fee for each meeting of a Committee. The Reserve Bank of India through its guidelines dated June 1, 2015 regarding compensation of non-executive Directors (except part-time Chairman) of private sector banks has permitted the payment of profit-related commission up to Rs. 1,000,000 per annum for non-executive Directors (other than non-executive part-time Chairman). Our shareholders at the annual general meeting held on July 11, 2016 have approved the payment of profit-related commission up to Rs. 1,000,000 per annum to non-executive Directors (excluding non-executive part-time Chairman and the Government Nominee Director) effective fiscal 2016. In addition, we reimburse directors for travel and related expenses in connection with Board and Committee meetings and related matters. If a director is required to perform services for us beyond attending meetings, we may remunerate the director as determined by our Board of Directors and this remuneration may be either in addition to or as substitution for the remuneration discussed above. We have not paid any remuneration to non-executive Directors other than the remuneration for attending each meeting of our Board or of a Board committee and profit related commission to the non-executive Directors (other than the Chairman). Non-executive directors are not entitled to the payment of any benefits at the end of their terms of office.

The Board of Directors at its Meeting held on June 9, 2015 and subsequently shareholders through a postal ballot resolution dated April 22, 2016 approved a remuneration range of Rs. 3,000,000 – Rs. 5,000,000 per annum for Mr. M. K. Sharma, Chairman of the Board with the remuneration for each year to be determined by the Board of Directors within this range. The Board of Directors approved remuneration of Rs. 3,000,000 per annum effective July 1, 2015 to be paid to Mr. M. K. Sharma for the first year of his tenure. Reserve Bank of India while approving the appointment of Mr. M. K. Sharma for the period July 1, 2015 to June 30, 2018 also approved the above remuneration. The Board at its Meeting held on June 28, 2016 approved the revision in remuneration for Mr. M. K. Sharma to Rs. 3,500,000 per annum effective July 1, 2016. The same has been approved by Reserve Bank of India.

Our Board or any committee thereof may fix, within the range approved by the shareholders, the salary and supplementary allowance payable to the executive directors. We are required to obtain specific approval of the

Reserve Bank of India for the actual monthly salary, supplementary allowance and annual performance bonus paid each year to the executive directors.

The following table sets forth the currently applicable monthly salary ranges:

Name and Designation	Monthly Salary Range (Rs.)
Ms. Chanda Kochhar, Managing Director and CEO	1,350,000 – 2,600,000 (US$ 20,817 – US$ 40,093)
Mr. N. S. Kannan, Executive Director	950,000 – 1,700,000 (US$ 14,649 – US$ 26,214)
Ms. Vishakha Mulye, Executive Director	950,000 – 1,700,000 (US$ 14,649 – US$ 26,214)
Mr. Vijay Chandok, Executive Director	950,000 – 1,700,000 (US$ 14,649 – US$ 26,214)
Mr. Anup Bagchi, Executive Director	950,000 – 1,700,000 (US$ 14,649 – US$ 26,214)

The monthly supplementary allowance range for the Managing Director and CEO is Rs. 1,000,000 – Rs. 1,800,000, for N. S. Kannan, Executive Director, for Vishakha Mulye, Executive Director, for Vijay Chandok, Executive Director and for Anup Bagchi, Executive Director is in the range of Rs. 675,000 – Rs. 1,225,000. The Board would determine the actual remuneration/supplementary allowance payable within the above ranges from time to time subject to the approval of the Reserve Bank of India.

The executive directors are entitled to perquisites (evaluated pursuant to Indian Income-Tax rules wherever applicable and otherwise at actual cost to the Bank) such as the benefit of the Bank's furnished accommodation, gas, electricity, water and furnishings, club fees, group insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund and gratuity, in accordance with the scheme(s) and rule(s) applicable from time to time.

In line with the staff loan policy applicable to specified grades of employees who fulfill prescribed eligibility criteria to avail loans for purchase of residential property, the executive directors are also eligible for housing loans subject to the approval of the Reserve Bank of India.

There are no service contracts with our executive directors providing for benefits upon termination of their employment.

The total compensation paid by ICICI Bank to its executive directors and executive officers during fiscal 2017 was Rs. 221.7 million.

Bonus

Each year, our Board of Directors award discretionary bonuses to employees and executive directors on the basis of performance and seniority. The performance of each employee is evaluated through a performance management appraisal system. The aggregate amount of bonuses and performance linked retention pay to all eligible employees of ICICI Bank for fiscal 2017 was Rs. 5.6 billion. This amount was paid in fiscal 2018, excluding the payment of bonuses to executive directors which requires the approval of the Reserve Bank of India.

Employee Stock Option Scheme

ICICI Bank has an employee stock option scheme to encourage and retain high-performing employees. Pursuant to the stock option scheme as amended, up to 10.0% of the aggregate of issued equity shares at the time of the grant of stock options could be allocated under the employee stock option scheme. As on June 30, 2017, against the limit of 10.0% of issued shares, equivalent to 641.3 million shares, the Bank has granted about 490.8 million options under the employee stock option scheme. Employees and Directors of ICICI Bank, its subsidiaries and its holding company are eligible employees for grants of stock options. ICICI Bank has no holding company. The maximum number of options granted to any eligible employee in a year is restricted to 0.05% of the Bank’s issued equity shares at the time of the grant.

Options granted after April 1, 2014 vest in a graded manner over a three-year period, with 30%, 30% and 40% of the grant vesting in each year, commencing from the end of 12 months from the date of the grant, other than the following:

- 275,000 options granted in April 2014, 50% vested on April 30, 2017 and balance 50% will vest on April 30, 2018.
- Options granted in September 2015 will vest in equal proportions on April 30, 2018 and April 30, 2019.

Options granted prior to April 1, 2014 vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% of the grants vesting in each year commencing from the end of 12 months from the date of grant, other than the following:

- Options granted in April 2009 vested in a graded manner over a five-year period with 20%, 20%, 30% and 30% of the grant vesting in each year, commencing from the end of 24 months from the date of the grant.
- Out of options granted in February 2011, 50% of the options vested on April 30, 2014 and the balance 50% vested on April 30, 2015.
- Options granted in September 2011 vest in a graded manner over a five-year period with 15%, 20%, 20% and 45% of the grant vesting in each year, commencing from the end of 24 months from the date of grant.

The price for options granted is equal to the closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options. Options granted in February 2011 were granted at an exercise price which was approximately 3.0% below the closing price preceeding the date of grant of options.

Pursuant to approval by the shareholders in April 2016 and subsequently in June 2017, the exercise period was modified from 10 years from the date of grant or five years from the date of vesting, whichever is later, to up to 10 years from the date of vesting of options.

The Board of Directors at its Meeting held in May, 2017 approved the issue of bonus shares, in the proportion of one bonus equity share of Rs. 2 each for every 10 fully paid-up equity shares held (including shares underlying ADS) as on the record date. In June 2017, the shareholders of the Bank through postal ballot approved the increase in the authorized share capital, the consequential alterations to the Memorandum and Articles of Association of the Bank and the issuance of bonus shares. Subsequent to the bonus issue, the ratio of ADSs to equity shares remains unaffected and each ADS after the bonus issue continues to represent two equity share of par value of Rs. 2 per share. Pursuant to approval of bonus shares by the shareholders, stock options were also adjusted with increase of one option for every ten outstanding options and the exercise price of option were proportionately adjusted.

The following table sets forth certain information regarding the stock option grants ICICI Bank has made under its employee stock option scheme as on June 30, 2017. ICICI Bank granted all of these stock options at no cost to its employees. Options granted include grants to whole-time directors and employees of subsidiaries of ICICI Bank. ICICI Bank has not granted any stock options to its non-executive directors. Pursuant to the Board and shareholders approval received with respect to issue of bonus equity shares of the Bank as mentioned earlier, the stock options granted, vested, exercised and forfeited/lapsed in table below have been adjusted to include the impact of the bonus stock options granted and the exercise price stated herein is the revised exercise price after making proportionate adjustments.

The following table sets forth certain information regarding the options summary of ICICI Bank at June 30, 2017.

Particulars	ICICI Bank	
Options granted[1] (net of lapsed)		490,800,715
Options vested		401,053,934
Options exercised		236,276,579
Options forfeited/lapsed		79,094,449
Extinguishment or modification of options		-
Amount realized by exercise of options	Rs.	17,515,663,888
Total number of options in force		254,524,136
Weighted average exercise price of options in force	Rs.	222.34

(1) Includes options granted to executive directors which requires approval of the Reserve Bank of India.

See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 17*" under U. S. GAAP included herein.

ICICI Prudential Life Insurance Company has an Employee Stock Option Scheme. The aggregate number of shares issued or issuable since March 31, 2016 pursuant to the exercise of any options granted cannot exceed 2.64% of the number of shares of ICICI Prudential Life Insurance Company has outstanding at March 31, 2016. The maximum number of options granted to any Eligible Employee in a financial year shall not exceed 0.1% of the issued shares of the company at the time of grant of options. ICICI Prudential Life Insurance Company had 2,398,838 stock options outstanding (net of forfeited or lapsed options) at year-end fiscal 2017.

ICICI Lombard General Insurance Company has an Employee Stock Option Scheme, the terms of which allow up to 5.0% of its paid-up capital to be allocated to employee stock options. ICICI Lombard General Insurance Company had last granted options in fiscal 2012. ICICI Lombard General Insurance Company had 3,180,324 employee stock options outstanding (net of forfeited or lapsed options) at year-end fiscal 2017.

Loans

ICICI Bank has internal rules for grant of loans to employees and executive directors to acquire certain assets such as property, vehicles and other consumer durables at significantly lower interest rates than the market rate. ICICI Bank's loans to employees have been made at interest rates ranging from 2.5% to 3.5% per annum and are repayable over fixed periods of time. The loans are generally secured by the assets acquired by the employees. Pursuant to the Banking Regulation Act, ICICI Bank's non-executive directors are not eligible for any loans. At year-end fiscal 2017, outstanding loans to ICICI Bank's employees totaled Rs. 9.1 billion compared to Rs. 8.5 billion at year-end fiscal 2016. This amount included loans to certain executive directors amounting to Rs. 122 million at year-ended fiscal 2017 compared to Rs. 52 million at year-end fiscal 2016, made on the same terms, including as to interest rates and collateral, as loans to other employees. Loans to executive directors are given after approval by the Reserve Bank of India. See also "*Operating and Financial Review and Prospects—Related Party Transactions*".

Gratuity

ICICI Bank pays gratuity to employees who retire or resign after a minimum prescribed period of continuous service and, in the case of employees at overseas locations, in accordance with the rules in force in the respective countries. ICICI Bank makes contributions to gratuity funds for employees which are administered by the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited.

Actuarial valuation of the gratuity liability for all the above funds is determined by an actuary appointed by the Bank. Actuarial valuation of gratuity liability is determined based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

The accounts of the fund are audited by independent auditors. The total corpus of the fund at year-end fiscal 2017 based on its audited financial statements was Rs. 8,589 million compared to Rs. 7,093 million at year-end fiscal 2016.

Superannuation Fund

ICICI Bank contributes 15% of the total annual basic salary to a superannuation fund in respect of the employees to whom it applies. ICICI Bank's employees get an option on retirement or resignation to receive one-third or one-half, depending on the tenure of service, of the total balance as commutation and a periodic pension based on the remaining balance. In the event of the death of an employee, his or her beneficiary receives the remaining accumulated balance, if eligible. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount that would otherwise be contributed by ICICI Bank in their monthly salary during their employment. The superannuation fund is being administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to choose between funds administered by the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. The total corpus of the superannuation fund was Rs. 3,012 million at year-end fiscal 2017 compared to Rs. 2,656 million at year-end fiscal 2016.

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as part of its retirement benefits to its employees. There are separate provident funds for employees inducted from merged entities (Bank of Madura, The Bank of Rajasthan and Sangli Bank) and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpuses of the funds for employees inducted from merged entities and other employees of ICICI Bank at year-end fiscal 2017, based on their audited financial statements, amount to Rs. 3,336 million and Rs. 19,192 million respectively, as compared to Rs. 3,501 million and Rs. 16,433 million for fiscal 2016.

Pension Fund

The Bank provides for pension, a deferred retirement plan covering certain employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. The plan provides for pension payments, including dearness relief, on a monthly basis to these employees on their retirement based on the respective employee's years of service with the Bank and applicable salary. For the former Bank of Madura, Sangli Bank and Bank of Rajasthan employees in service, funds are managed by the trust and the liability is funded as per actuarial valuation. The trust purchases annuities from the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited as part of its master policies for payment of pension to retired employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. Employees covered by the pension plan are not eligible for employer's contribution under the provident fund plan. The corpus, based on audited financial statements at year-end fiscal 2017 was Rs. 16,303 million compared to Rs. 13,098 million at year-end fiscal 2016.

Interest of Management in Certain Transactions

Except as otherwise stated in this annual report, no amount or benefit has been paid or given to any of our directors or executive officers.

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Overview of The Indian Financial Sector

Introduction

The Reserve Bank of India, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- co-operative banks;
- non-banking finance companies, including housing finance companies;
- other specialized financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

This discussion presents an overview of the role and activities of the Reserve Bank of India and of each of the major participants in the Indian financial system, with a focus on commercial banks. This is followed by a brief summary of the banking reform process and key reform measures announced or proposed in recent years. Finally, measures announced by the Reserve Bank of India in recent monetary policy statements are briefly reviewed.

The Reserve Bank of India

The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. The Reserve Bank of India manages the country's money supply and foreign exchange and also serves as a bank for the government of India and for the country's commercial banks. In addition to the traditional central banking roles, the Reserve Bank of India undertakes certain developmental and promotional roles.

The Reserve Bank of India issued guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. The Reserve Bank of India requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the Reserve Bank of India's role as the regulatory and supervisory authority of India's financial system and its impact on us, see "*Supervision and Regulation*".

Commercial Banks

Commercial banks in India meet the short-term financial needs, or working capital requirements, of industry, trade and agriculture, provide long-term financing to sectors like infrastructure and provide retail loan products. At March 31, 2017, there were 148 scheduled commercial banks in the country, with a network of 137,770 branches serving approximately Rs. 107.51 trillion in deposit accounts. Scheduled commercial banks are banks that are listed in the second schedule of the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 62.5% of bank branches located in rural or semi-urban areas of the country.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India, 20 nationalized banks and 56 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 92,347 branches, and accounted for 69.4% of the outstanding gross bank credit and 65.9% of the aggregate deposits of scheduled commercial banks at March 31, 2017. The State Bank of India is the largest bank in India in terms of total assets. In one of the largest consolidation in the Indian banking industry, the State Bank of India merged its five associate banks and the Bharatiya Mahila Bank effective from April 1, 2017. At March 31, 2017, the consolidated State Bank of India had 25,005 branches. They accounted for 23.2% of aggregate deposits and 21.6% of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development is responsible for supervising the functions of the regional rural banks. At March 31, 2017, there were 56 regional rural banks and they had 21,057 branches, and accounted for 3.4% of aggregate deposits and 2.9% of gross bank credit outstanding of scheduled commercial banks.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the Reserve Bank of India permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including us. These banks are collectively known as the "new" private sector banks. At March 31, 2017, there were eight "new" private sector banks, including the most recently licensed IDFC Limited and Bandhan Financial Services Private Limited that began operations in fiscal 2016. In September 2015, the Reserve Bank of India granted in-principle licenses to 10 small finance banks and 11 payments banks in the private sector. Of these, six small finance banks and four payments banks have begun operations and three payments banks licensees have surrendered or announced their decision to surrender their licenses. See also "—*Differentiated licenses*". In addition, 13 old private sector banks existing prior to July 1993 were operating at March 31, 2017.

At March 31, 2017, private sector banks, including the small finance banks, accounted for approximately 23.0% of aggregate deposits and 26.8% of gross bank credit outstanding of the scheduled commercial banks. Their network of 24,079 branches accounted for 17.5% of the total branch network of scheduled commercial banks in the country.

Foreign Banks

There were 43 foreign banks operating in India. At March 31, 2017, foreign banks had 287 branches and accounted for 4.1% of aggregate deposits and 4.4% of outstanding gross bank credit of scheduled commercial banks. As part of the liberalization process, the Reserve Bank of India has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-bank finance company, investment banking, securities broking, insurance and asset management subsidiaries or joint ventures for both corporate and retail lending.

In a circular dated July 6, 2004, the Reserve Bank of India stipulated that banks should not acquire any fresh stake in another banks' equity shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks. The Reserve Bank of India issued a notification on "Roadmap for presence of foreign banks in India" on February 28, 2005, announcing the following measures with respect to the presence of foreign banks:

1. During the first phase (up to March 2009), foreign banks were allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.

2. In addition, during the first phase, foreign banks were allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring.

3. For new and existing foreign banks, it was proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.

4. During the second phase (scheduled to be from April 2009 onwards), after a review of the first phase, foreign banks were to be allowed to acquire up to 74.0% in private sector banks in India.

However, in view of the deterioration in the global financial markets during fiscal 2009, the Reserve Bank of India decided to put on hold the second phase until there was greater clarity over the economic recovery as well as the reformed global regulatory and supervisory architecture.

In November 2013, the Reserve Bank of India issued a scheme for the establishment of wholly owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks which commenced business in India after August 2010, or will do so in the future, will be permitted to do so only through wholly owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims, among others. Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) exceed 0.25% of the assets of the Indian banking system. Establishment of a subsidiary would require approval of the Reserve Bank of India and for this purpose, the Reserve Bank of India would take into account various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into mergers and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74% applicable to Indian private sector banks. The Reserve Bank of India, in its second quarter monetary policy review announced in October 2013 has also proposed near national treatment for foreign banks, based on the principles of reciprocity and subsidiary mode of presence.

In July 2012, the Reserve Bank of India revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority sector lending norms as prescribed for domestic banks. In April 2015, revised priority sector lending guidelines were issued by the Reserve Bank of India, and require foreign banks with less than 20 branches to also meet priority sector lending norms in a phased manner by fiscal 2020.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. The primary long-term lending institutions included Industrial Development Bank of India (now a bank), IFCI Limited, and the Industrial Investment Bank of India, as well as ICICI prior to the merger. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks. In fiscal 2000, the Reserve Bank of India announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues, which needed to be addressed, and laid down a path for how long-term lending institutions can transition into universal banks. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development

Bank of India in April 2005. The long-term funding needs of Indian companies are met primarily by banks, Life Insurance Corporation of India and specialized non-bank finance companies. Indian companies also issue bonds to institutional and retail investors.

Co-operative Banks

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In light of the liquidity and insolvency problems experienced by some co-operative banks in fiscal 2001, the Reserve Bank of India undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban co-operative banks. Presently, the Reserve Bank of India is responsible for the supervision and regulation of urban co-operative banks, and the National Bank for Agriculture and Rural Development (NABARD) for state co-operative banks and district central co-operative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all co-operative banks by the Reserve Bank of India.

With a view to strengthen the capital structure of co-operative banks, the Reserve Bank of India announced a minimum capital adequacy requirement of 9.0% for state and central co-operative banks in January 2014 to be achieved in a phased manner over a period of three years. The guidelines prescribe a minimum capital adequacy ratio of 7.0% by March 31, 2015 and 9.0% with effect from March 31, 2017. Co-operative banks have also been allowed to issue long-term deposits and perpetual debt instruments in order to be able to meet the prescribed capital adequacy requirements.

In April 2015, the Reserve Bank of India announced measures to enable well-managed co-operative banks to expand their business. Financially sound urban co-operative banks having a minimum net worth of Rs. 1.0 billion and technology enabled systems have been allowed to issue credit cards. State co-operative banks have been permitted to set up offsite automated teller machines (ATMs) and mobile ATMs without the prior approval of the Reserve Bank of India. Co-operative banks fulfilling specific requirements like core banking solution, capital adequacy of above 10.0% and net worth of above Rs. 250 million have been allowed to offer internet banking facility to their customers and to issue open system pre-paid payment instruments.

Non-Banking Finance Companies

There were 11,517 non-banking finance companies in India at March 31, 2017, mostly in the private sector. Of these, 179 were deposit-taking non-banking finance companies, and the rest were non-deposit taking entities. All non-banking finance companies are required to register with the Reserve Bank of India. Non-banking finance companies are categorized on the following basis: (i) in terms of the type of liabilities into deposit and non-deposit accepting non-banking finance companies; (ii) non-deposit taking non-banking finance companies by their size into systemically important companies with asset size above Rs. 1.0 billion and other non-deposit holding companies; and (iii) by the kind of activity they conduct. The companies that take public deposits are subject to strict supervision and capital adequacy requirements, similar to banks, by the Reserve Bank of India. Non-banking financial companies are broadly classified into eight categories — asset finance companies, loan companies, investment companies, infrastructure finance companies, infrastructure debt funds, microfinance companies, factors and core investment companies. In fiscal 2017, the Reserve Bank of India introduced a new type of non-banking finance company, account aggregators, which will consolidate, organize and present financial information pertaining to a customer either to the customer or to any other person as instructed by the customer. They cannot offer any financial services or support financial transactions. At March 31, 2016, the asset base of deposit taking non-banking financial companies and non-deposit taking systemically important non-banking financial companies combined was Rs. 16.67 trillion, with a net credit outstanding of Rs. 12.83 trillion and borrowings of Rs. 11.90 trillion.

ICICI Securities Limited, our subsidiary, is a non-banking finance company that does not accept public deposits, and ICICI Home Finance Company, our subsidiary, is a non-banking finance company that accepts public deposits. The primary activities of the non-banking finance companies are consumer credit (including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium companies), and infrastructure finance, and fee-based services, such as investment banking and underwriting. In November 2011, the Reserve Bank of India issued guidelines on the establishment of infrastructure debt funds in the form of mutual funds or non-banking finance companies. In fiscal 2013, we in partnership with other domestic and international banks and financial institutions launched India’s first infrastructure debt fund set up in the form of a non-banking finance company. We along with our wholly owned subsidiary have a shareholding of 40.0% in this company.

The Reserve Bank of India issues guidelines with regard to lending, exposure, provisioning requirements and restructuring of loans for the various categories of non-banking finance companies. In August 2011, the Reserve Bank of India released a working group report on issues and concerns in the non-banking finance companies sector. In March 2015, the Reserve Bank of India issued the final regulatory framework for non-banking finance companies in line with the recommendations of the working group. Some key recommendations include a minimum asset size of Rs. 500 million with a minimum net owned fund of Rs. 20 million for registering as a non-banking finance company, a minimum Tier 1 capital of 12%, introduction of liquidity ratios, more stringent asset classification norms and provisioning norms and limits on exposure to real estate. Deposit accepting non-banking finance companies should have a minimum investment grade rating to accept public deposits. In the event of a downgrade below investment grade, the company would have to stop accepting new deposits and cannot renew existing deposits. Further, deposit accepting non-banking finance companies had to achieve a minimum Tier 1 capital of 8.5% by March 31, 2016, and 10.0% by March 31, 2017.

In July 2015, the Reserve Bank of India issued guidelines relating to acquisition or transfer of control of non-banking finance companies. According to the guidelines, any change in the management of a non-banking finance company either by way of a takeover or acquisition of control, change in shareholding or change in the management with at least 30% newly appointed directors, cannot be initiated without the prior permission of the Reserve Bank of India. A public notice of at least 30 days would also have to be given before the occurrence of these events.

Non-banking finance companies raise money by issuing capital or debt securities including debentures, by way of public issue or private placement. Non-deposit-taking non-banking financial companies can issue perpetual debt instruments which are eligible for inclusion as Tier 1 capital to the extent of 15.0% of total Tier 1 capital as on March 31 of the previous accounting year. Further, with regard to private placement of debentures by non-banking finance companies, the Reserve Bank of India issued guidelines in June 2013, which states that issue of debentures should necessarily be for deployment of funds on its own balance sheet, and not for facilitating resources for group companies. The guidelines also prescribe a minimum time gap of six months between two private placements, a limit on the number of investors to 49, and restrict non-banking finance companies from extending loans against the security of its own debentures.

In the past, the Reserve Bank of India has issued banking licenses to non-banking finance companies. In 2003, Kotak Mahindra Finance Limited was granted a banking license by the Reserve Bank of India and converted itself into Kotak Mahindra Bank. In April 2014, the Reserve Bank of India issued in-principle banking licenses to two non-banking finance companies, IDFC Limited and Bandhan Financial Services Private Limited. Both began operations during fiscal 2016. In September 2015, the Reserve Bank of India granted in-principle licenses to 10 applicants for small finance banks, most of which are microfinance non-banking finance companies. In July 2016, IDFC Bank acquired a microfinance company, making it the first acquisition of a microfinance company by a bank.

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-banking finance companies. As a result of the various incentives given by the Government for investing in the housing sector, the scope of this business has grown substantially. Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players, including banks, have entered the housing finance industry. We also have a housing finance subsidiary, ICICI Home Finance Company. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Microfinance Institutions

In fiscal 2012, the Reserve Bank of India introduced a new category of non-banking financial company called microfinance institutions. Microfinance institutions should have a minimum net worth of Rs. 50 million and maintain a minimum capital adequacy ratio of 15.0% of risk weighted assets. There are specific regulations with regard to pricing of credit by microfinance institutions. The margin above the cost of funds that can be charged on a loan is capped at 10.0% for microfinance institutions having a loan portfolio exceeding Rs. 1.0 billion and 12.0% for others. Further, the interest rate on individual loans is capped at the lower of the following two: 1) cost of funds plus margin, and 2) the average base rate of the five largest commercial banks by assets (as informed by the Reserve Bank of India on a quarterly basis) multiplied by 2.75. Further, the average interest on loans during a year cannot exceed the cost of borrowing during the financial year plus the prescribed margin. This was later revised in February 2017 to a quarterly basis by the Reserve Bank of India, as per which the average interest rate on loans sanctioned during a quarter cannot exceed the average cost of borrowing during the preceding quarter plus the prescribed margin.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, and India Infrastructure Finance Company. Further, India's first quasi-sovereign wealth fund, the National Investment and Infrastructure Fund, was set up to support investments in infrastructure and technology.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

Insurance Companies

At March 31, 2017, there were 52 insurance companies in India, of which 24 were life insurance companies and 30 general insurance companies. Of the 24 life insurance companies, 23 were in the private sector and one is in the public sector. Among the general insurance companies, 24 in the private sector and 6 (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. General Insurance Corporation of India, a reinsurance company, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority of India. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999, which also amended the Insurance Act, 1938. This opened up the Indian insurance sector for foreign and private investors. The Insurance Act currently allows foreign equity participation in new insurance companies of up to 49.0%. A new company should have minimum paid-up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance and of Rs. 2.0 billion to carry on exclusively the business of reinsurance.

In fiscal 2001, the Reserve Bank of India issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratio, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. According to the guidelines, the promoters of insurance companies had to divest in a phased manner their shareholding in excess of 26.0% after a period of 10 years from the date of commencement of business or within such period as may be prescribed by the Indian government. However, the Insurance Laws (Amendment) Act, 2015, passed by both houses of the Parliament and enacted in March 2015 removed the requirement that requires the promoters to dilute their stake to 26.0%. The Act also increased the foreign equity participation limit in insurance companies from 26.0% to 49.0%.

In the general insurance sector, gross premiums underwritten by general insurance companies moderated in fiscal 2008 and fiscal 2009 owing to the de-tariffing of the general insurance sector. Until January 1, 2007 almost 70.0% of the general insurance market was subject to price controls under a tariff regime. With the commencement of a tariff-free regime effective January 1, 2007, the resultant competitive pricing led to a significant decrease in premium rates across the industry leading to moderate premium growth during fiscal 2009 and fiscal 2010. See also "*Supervision and Regulation-Regulations Governing Insurance Companies*".

During fiscal 2017, the new business weighted individual premium underwritten by the life insurance sector increased by 20.7% year-on-year from Rs. 440.8 billion during fiscal 2016 to Rs. 532.2 billion during fiscal 2017. The share of the private sector increased from 51.5% during fiscal 2016 to 53.9% during fiscal 2017. The gross premium underwritten in the general insurance sector (excluding specialized insurance institutions) amounted to Rs. 1,192.2 billion during fiscal 2017 as against Rs. 915.7 billion during fiscal 2016, recording a year-on-year growth of 30.2% (excluding the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited). The share of the private sector increased from 45.5% during fiscal 2016 to 46.7% during fiscal 2017. We have a joint venture in the life insurance sector and our life insurance subsidiary, ICICI Prudential Life Insurance Company, is the largest private sector company in the life insurance sector in India in terms of new business retail weighted received premium. Our subsidiary in the general insurance sector was set up as a joint venture with Fairfax Financial Holdings (through its affiliate). However, the joint venture was terminated on July 3, 2017 following the decision by us and our joint venture partner to sell a part of our shareholding in our general insurance subsidiary through an initial public offering. The Bank will continue to hold more than 50.0% shareholding in the general insurance subsidiary post the proposed initial public offer. See also, *"Business-Insurance"*. Our general insurance subsidiary, ICICI Lombard General Insurance Company, is the largest private sector company in the general insurance sector in India in terms of gross written premium, excluding premium on motor third-party insurance pool.

The financial inclusion initiatives of the government of India include providing insurance cover for people belonging to low-income or below poverty segments and are enrolled through the Government's financial inclusion program. A life insurance cover and accident insurance cover of up to Rs. 200,000 each are provided to the beneficiaries at very low premiums. The government has also launched separate schemes for providing pension and insurance products to the larger population.

See also "*Risk Factors—Risks Relating to Our Business—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or level of profitability" and "Description of ICICI Bank—Overview of Our Products and Services—Insurance*".

Mutual Funds

There were 41 mutual funds in India with assets under management at March 31, 2017 of Rs. 17,546.2 billion. Average assets under management of all mutual funds increased by 35.2% to Rs. 18,295.8 billion during the three months ended March 31, 2017 from Rs. 13,534.4 billion during the three months ended March 31, 2016. From year 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the Government and the Reserve Bank of India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996. Our asset management joint venture, ICICI Prudential Asset Management Company, was the largest mutual fund in India in terms of average assets under management for the three months ended March 31, 2017, with an overall market share of about 13.3%.

To enhance marketability and access to mutual fund schemes, the Securities and Exchange Board of India in November 2009 permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes. As a result, mutual funds units can now be traded on recognized stock exchanges. While this facility was available to stock brokers and clearing members initially, it was widened to include mutual fund distributors in October 2013. In June 2009, the Securities and Exchange Board of India removed the entry load and up-front charges deducted by mutual funds, for all mutual fund schemes and required that the up-front commission to distributors should be paid by the investor to the distributor directly. In February 2010, the Securities and Exchange Board of India introduced guidelines for the valuation of money market and debt securities, with a view to ensuring that the value of money market and debt securities in the portfolio of mutual fund schemes reflects the current market scenario. The valuation guidelines were effective from August 1, 2010. Further, the Union Budget for fiscal 2014 allowed mutual fund distributors to become members on the mutual fund segment of stock exchanges to enable them to leverage the stock exchange network to improve the reach and distribution of mutual fund products.

Pension Sector

Currently, the pension schemes operating in India can be broadly classified in the following categories: pension schemes for Government employees, the employees' provident fund and employees' pension schemes for employees in the organized sector, voluntary pension schemes and the new pension scheme. In case of pension schemes for Government employees, the Government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the Government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the Government (the Public Provident Fund to which contribution may be made up to a maximum of Rs. 150,000 per year) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme. The new pension scheme (NPS) was launched in January 2004 and offers a defined contribution based pension scheme with the individual having the option to decide where to invest the funds.

The Government initially made it mandatory for its new employees (excluding defense personnel) to join the new pension scheme where both the Government and the employee would make monthly contributions of 10% of the employee's basic salary. In 2009, the Government extended the New Pension System to all citizens of India on a voluntary basis, effective from May 1, 2009. With a view to encourage people to invest towards old age security, the Government launched a pension scheme in fiscal 2015, called the Atal Pension Yojana. The scheme focuses on individuals in the unorganized sector to join the National Pension System.

The Government set up the Pension Fund Development and Regulatory Authority to regulate the pension industry in August 2003. In October 2013, the Pension Fund Regulatory and Development Authority Act, 2011 was enacted giving powers to the Pension Fund Development and Regulatory Authority to regulate pension schemes and funds and frame investment guidelines for pension funds. Foreign direct investments in the pension sector are allowed up to 49%. Private sector participation in managing pension assets was permitted for the first time in fiscal 2009, and six private sector companies have been issued licenses, including us. The minimum net worth requirement for asset management companies is Rs. 500 million. See also "*Business—Overview*".

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (as amended, the "Securitization Act"). The Securitization Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The Securitization Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, received registration from the Reserve Bank of India and commenced operation in August 2003. Foreign direct investment of up to 100% through the automatic route is now permitted in the equity capital of asset reconstruction companies and investment by Foreign Institutional Investors registered with the Securities and Exchange Board of India is permitted in security receipts issued by asset reconstruction companies, subject to certain conditions and restrictions. Since April 2017, the Reserve Bank of India has prescribed a minimum net worth of Rs. 1.0 billion on an ongoing basis for asset reconstruction companies.

In November 2004, the government of India issued an ordinance amending the Securitisation Act and subsequently passed this ordinance as an Act. This Act, as amended, provided that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under such Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. Further, this Act permits a lender to take over the business of a borrower under the Securitization Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over).

In fiscal 2017, amendments were made to the Securitization Act and the debt recovery acts to further strengthen the recovery process. The Enforcement of Security Interest and Recovery of Debts Law Amendment Act, 2016, was enacted in this regard. As per the Act, it requires the process of possession of collateral by banks, in the event of a default, to be completed by the district magistrate within 30 days. It also empowers the district magistrate to assist banks in taking over the management of the company, where the bank has converted the debt into equity and holds 51.0% or more in the company. A central registry has been created to maintain records of transactions related to secured assets. See also "*Supervision and Regulation—Regulations Relating to Sale of Assets to Asset Reconstruction Companies*". However, considering the procedures involved in legal litigations and with borrowers having the option to appeal the decision of the debt recovery tribunal, the process of recovery of loans is delayed.

Corporate Debt Restructuring Forum

The Reserve Bank of India has devised a corporate debt restructuring system to put in place an institutional mechanism for the restructuring of corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporations that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Joint Lenders' Forum

Following the stress faced by the Indian corporate sector and increase in non-performing and restructured corporate loans in the Indian banking sector, the Reserve Bank of India released a Framework for Revitalizing Distressed Assets in the Economy in January 2014. The framework outlines a corrective action plan for early identification of problem loans, timely restructuring of accounts which are considered to be viable, and steps for recovery or sale of unviable accounts. According to the guidelines, banks are required to identify accounts that show signs of stress at an early stage and categorize them into 'special mention accounts' based on specified criteria. These accounts should be reported to a central repository maintained by the Reserve Bank of India. This repository is called the Central Repository of Information on Large Credits. Banks are required to mandatorily form a committee called the Joint Lenders' Forum for accounts where the aggregate exposure of lenders to the account exceeds Rs. 1.0 billion and with repayments overdue by 60 days and the account has been reported by any of the lenders to the central repository. The Joint Lenders' Forum may explore options for early resolution of stress in the account which may include rectification to regularize the account, restructuring either through the corporate debt restructuring forum or by the joint lenders' forum itself, or decide on an appropriate recovery process.

Revisions to the guidelines were issued periodically by the Reserve Bank of India to strengthen the resolution process. In September 2015, the Reserve Bank of India issued guidelines which required formation of an empowered group comprising lending banks and also a representative each from the State Bank of India and ICICI Bank as standing members. The final corrective action plan has to be submitted to the empowered group. The guidelines also provide an exit option for those lenders not participating in the rectification or restructuring plan. Further, if the corrective action plan fails, the Joint Lenders' Forum have the option to initiate strategic debt restructuring to effect change in management. The approval requirement for the corrective action plan was later revised to 50.0% of the lenders by number, as compared to the earlier requirement of 60.0% of lenders by number, and 75.0% by value. This was further revised in May 2017 requiring consent from lenders up to 60.0% by value and 50.0% by number in the Joint Lenders' Forum. The decision by the Joint Lenders' Forum was made binding on all member banks. Further, under the strategic debt restructuring, banks were allowed to classify the asset as standard on divesting 26.0% of the shares of the company, lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters.

Since June 2016, banks have also been allowed to undertake structuring of projects that have commenced commercial operations under the Scheme for Sustainable Structuring of Stressed Assets. The scheme allows the Joint Lenders' Forum to segregate the debt into the sustainable portion that can be serviced with existing cash flows over the tenor of the loan, and the unsustainable portion that can be restructured by converting it either into equity or preference shares. A two-member Oversight Committee was set up to oversee cases under the Scheme for Sustainable Structuring of Stressed Assets. In May 2017, the Oversight Committee was reconstituted and expanded, and the scope of cases to be referred to the Committee was also expanded to include cases other than under the Scheme for Sustainable Structuring of Stressed Assets and having aggregate banking system exposure greater than Rs. 5.0 billion. See also "*Supervision and Regulation—Loan Loss provisions and non-performing assets*".

Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code, 2016, was passed in May 2016 and provides a time bound revival and rehabilitation mechanism. The insolvency resolution process can be initiated at the occurrence of a single instance of default of over Rs. 100,000 by the creditors. It classifies the creditors into financial creditors and operational creditors, which include creditors that provide financial loans and loans arising from the operational nature of the debtor, respectively. Other key features include the provision of a 180-day timeline which may be extended by 90 days when dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by the insolvency professionals has to be approved by 75.0% of financial creditors, which requires sanction by the adjudicating authority and, if rejected, the adjudicating authority will pass an order for liquidation. The National Company Law Tribunal has been set up as the adjudicating authority, the National Company Law Appellate Tribunal has been set up to hear appeals on the orders of the adjudicating authority with jurisdiction over companies and limited liability entities, and the Insolvency and Bankruptcy Board of India has been set up as the new insolvency regulator overseeing insolvency professionals, information utilities and promote transparency.

The Banking Regulation (Amendment) Ordinance, 2017

In May 2017, the government of India issued an ordinance amending the Banking Regulation Act, 1949 which empowers the Reserve Bank of India to participate in the resolution of stressed assets. The Banking

Regulation (Amendment) Ordinance, 2017 was promulgated on May 4, 2017. The Ordinance amended section 35A of the Banking Regulation Act, 1949 and inserted two new sections 35AA and 35AB. Through this amendment, the Reserve Bank of India is authorized to intervene and instruct banks to resolve specific stressed assets and initiate insolvency resolution process where required. The Reserve Bank of India is also empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for resolution of stressed assets.

The Reserve Bank of India constituted an Internal Advisory Committee comprising its independent board members to advise on stressed accounts. On the recommendations of the Committee, in June 2017 the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code.

Structural Reforms

Amendments to the Banking Regulation Act

In December 2012, the Indian Parliament amended the laws governing the banking sector. The amendment to the Banking Regulation Act was enacted in January 2013. The main amendments were as follows:

- permit all private banking companies to issue preference shares that will not carry any voting rights;
- make prior approval by the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid-up capital or voting rights by any individual or firm or group, and empower the Reserve Bank of India to impose conditions while granting approval for such acquisition;
- empower the Reserve Bank of India, after consultations with the Central Government, to supersede the board of a private sector bank for a total period not exceeding 12 months, during which time the Reserve Bank of India will have the power to appoint an administrator to manage the bank;
- give the Reserve Bank of India the right to inspect affiliates of enterprises or banking entities (affiliates include subsidiaries, holding companies or any joint ventures of banks); and
-

ease the restrictions on voting rights by making them proportionate to the shareholding up to a cap of 26% in the case of private sector banks from the earlier 10%, and 10% in the case of public sector banks from the earlier 1%. In March 2015, the Reserve Bank of India, in exercise of powers conferred by the Banking Regulation Act, has notified a ceiling on voting rights of 15.0% for a single shareholder.

Discussion Paper on Banking Structure

In August 2013, the Reserve Bank of India released a discussion paper 'Banking Structure in India — the way forward'. The paper envisages a re-orientation of the banking structure with a view to addressing specific issues like enhancing competition, financing higher growth, providing specialized services and further increasing financial inclusion. The discussion paper proposes a differentiated licensing policy for different types of banks for niche business areas. It advocates a continuous licensing policy for entry of new banks compared to the current system of intermittently issuing licenses. To promote financial inclusion, the paper proposes setting up small banks with geographical limitations for catering to the rural and unorganized segments.

Differentiated licenses

In November 2014, the Reserve Bank of India issued guidelines on licensing of small banks and payments banks as differentiated banks, with the purpose of promoting financial inclusion. These banks would have a minimum capital requirement of Rs. 1.0 billion, and would be limited in their product offering and geographical area of operation. According to the guidelines, payments banks are permitted to accept only demand deposits not exceeding Rs. 100,000 per individual customer, required to invest 75.0% of deposits in government securities of up to one-year maturity and are allowed to sell credit products of other banks as business correspondents. Small finance banks can provide all basic banking products with at least 50.0% of their portfolio constituting loans up to Rs. 2.5 million and must meet a priority sector lending requirement of 75.0% of adjusted net bank credit. Forty-one applications for payments bank licenses and 72 applications for small finance bank licenses were submitted. In September 2015, the Reserve Bank of India granted in-principle licenses to 10 small finance banks and 11 payments banks. Of these, six small finance banks and four payment banks have begun operations and three payments banks have surrendered, or announced their intention to surrender, their licenses. ICICI Bank is a shareholder in FINO PayTech Limited, which has received a payments bank license and began operations on June 30, 2017. Further, in April 2017, a discussion paper on wholesale and long-term finance banks as differentiated banks was released by the Reserve Bank of India. These banks will focus on lending to infrastructure and core industries which require long-term funding. As per the discussion paper, these banks will have a minimum paid-up equity capital of Rs. 10.0 billion and will be allowed to raise funds through current deposits and term deposits and through issuance of bonds.

On-tap Licensing of Universal Banks

In August 2016, the Reserve Bank of India released guidelines for continuous licensing of universal banks in the private sector. According to the guidelines, the minimum net worth for these banks will be Rs. 5.0 billion and the promoters will be required to hold a minimum of 40.0% of the paid-up capital, which will be locked-in for five years and brought down to 15.0% over a period of 12 years. Eligible promoters include non-banking finance companies, individuals with 10 years of experience in banking and finance, and entities/groups in the private sector that have total assets of at least Rs. 50.0 billion with non-financial business accounting for less than 40% of total assets. Foreign shareholding of up to 74.0% is allowed. Promoting entities that have other group entities shall set up the bank only through the non-operative financial holding company structure. Specialized banking activities can be conducted through a separate entity held under the holding company.

Report on Governance of Boards of Banks in India

In May 2014, the Committee to Review the Governance of Boards of Banks in India submitted its report. The committee recommended a new governance structure for public sector banks and a reduction in the Government's stake in banks to less than 50.0%. It proposed bringing public sector banks under the purview of the Companies Act and repealing other statutes that govern public sector banks. It also envisaged creation of a Bank Investment Company which would be the de facto holding company of equity stake in banks on behalf of the Government with the powers to govern the public sector banks. A phased transition towards empowering the boards of public sector banks was also proposed which eventually should lead to the Government only acting as an investor rather than exercising ownership functions. With regard to governance in private sector banks, the committee recommended allowing certain types of investors to take larger stakes and permit creation of Authorized Bank Investors comprising of funds that would be permitted to hold a 20.0% equity stake without regulatory approval or 15.0% if the Bank has a seat on the bank's board. Further, other financial investors should be permitted to hold an equity stake of up to 10% from the current limit of 5.0% stake.

Some recommendations of the committee have already been implemented. In fiscal 2015, the Government decided to separate the functions of non-executive chairman and managing director in public sector banks. Further, the Bank Board Bureau has been constituted which is responsible for deciding appointments of senior officials in public sector banks. This replaces the earlier structure where the appointments were decided by a committee led by the Governor of the Reserve Bank of India. The Bank Board Bureau comprises of six members, and apart from appointment of senior officials, it will also guide public sector banks on strategies for raising capital, dealing with issues of stressed assets, and mergers and consolidation.

Insurance Laws (Amendment) Act, 2015

The Insurance Laws (Amendment) Act, 2015, was passed by the Indian Parliament and notified in March 2015. The Act, among other things, raised the foreign investment limit in the insurance sector from 26.0% to a composite limit of 49.0%, and, eliminated the requirement that promoters of an insurance company reduce their stake to 26.0% after 10 years.

Credit Policy Measures

The Reserve Bank of India issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures in April of every financial year. Subsequent monetary policy statements are issued on a bi-monthly basis during the year. During fiscal 2017, a committee-based approach was adopted for monetary policy decisions, compared to the earlier approach of decision making happening within the Reserve Bank of India. In June 2016, the Indian government notified amendments to the Reserve

Bank of India Act, 1934, approved by the Indian parliament, for constituting a six-member Monetary Policy Committee comprising of members from the Reserve Bank of India and the government. The Committee is responsible for inflation targets and monetary policy decisions. The first meeting of the Monetary Policy Committee was held in October 2016.

Credit Policy During Fiscal 2016

The repo rate was reduced by 75 basis points during fiscal 2016. In the first bi-monthly monetary policy review for fiscal 2016 announced on April 7, 2015, the Reserve Bank of India kept the repo rate unchanged. In the second bi-monthly monetary policy review announced on June 2, 2015, the Reserve Bank of India reduced the repo rate by 25 basis points from 7.50% to 7.25%. In the fourth bi-monthly monetary policy statement released on September 29, 2015, the Reserve Bank of India reduced the repo rate by 50 basis points from 7.25% to 6.75%. Correspondingly, the reverse repo rate was adjusted from 6.5% to 5.75% and the marginal standing facility rate from 8.5% to 7.75%. In the fifth and sixth bi-monthly monetary policy statements released on December 1, 2015 and February 2, 2016 respectively, the Reserve Bank of India kept the repo rate unchanged.

Other policy announcements included calculation of base rate on the basis of the marginal cost of funds, lowering the risk weight on low-value individual housing loans, reduction in the ceiling on statutory liquidity ratio securities under the held-to-maturity category from 22.0% to 21.5%, and allowing Indian corporations to issue rupee-denominated bonds with a minimum maturity of five years in the overseas market with minimal restrictions on the end use of funds.

Credit Policy During Fiscal 2017

During fiscal 2017, the repo rate was reduced by 50 basis points, with a 25 basis points reduction from 6.75% to 6.50% in April 2016 and another 25 basis points reduction to 6.25% in October 2016. Further, in April 2017, the Reserve Bank of India also narrowed the policy rate corridor for determining the marginal standing facility and the reverse repo rate from 100 basis points to 50 basis points. Accordingly, the reverse repo rate was adjusted to 5.75% and the marginal standing facility rate was revised to 6.75% in October 2016. In subsequent monetary policy announcements, the repo rate was kept unchanged. The Reserve Bank of India also revised the liquidity framework indicating progressive lowering of the average liquidity deficit in the system towards neutrality.

In November 2016, the government of India decided to withdraw legal tender status for high denomination currency notes and to be replaced with new currency notes. This led to a surge in deposits in the Indian banking system leading to a significant increase in liquidity. In line with the objective of maintaining liquidity at near neutrality, the Reserve Bank of India announced an incremental cash reserve ratio of 100.0% of the increase in net demand and time liabilities between September 16, 2016 and November 11, 2016 effective the fortnight beginning November 26, 2016. Later, to facilitate liquidity management operations by the Reserve Bank of India, the Government of India revised the ceiling for issue of securities under the Market Stabilisation Scheme to Rs. 6.00 trillion on December 2, 2016.

Subsequently, on December 7, 2016, the Reserve Bank of India withdrew the incremental cash reserve ratio requirement effective the fortnight beginning December 10, 2016. During the three months ended March 31, 2017, the Reserve Bank of India adopted reverse repo transactions and issued securities under the Market Stabilisation Scheme to absorb the surplus liquidity in the system. In the resolution of the Monetary Policy Committee announced in April 2017, the policy rate corridor was narrowed further from 50 basis points to 25 basis points. Accordingly, the reverse repo rate was revised from 5.75% to 6.0% and the marginal standing facility rate from 6.75% to 6.50%. The Reserve Bank of India has also proposed the introduction of a Standing Deposit Facility that will eliminate the requirement of collateral for absorbing liquidity.

Other policy announcements during fiscal 2017 included a reduction in the minimum daily maintenance of cash reserve ratio from 95.0% of net demand and time liabilities to 90.0%. In the resolution of the Monetary Policy Committee in February 2017, the policy stance was changed from accommodative to neutral, while the policy rate was kept on hold.

Credit Policy During Fiscal 2018

The Monetary Policy Committee kept the policy rate unchanged at 6.25% in the bi-monthly monetary policy statement announced in April 2017 and June 2017. Other policy announcements included a reduction in the statutory liquidity ratio from 20.5% of net demand and time liabilities to 20.0% in June 2017.

SUPERVISION AND REGULATION

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to us. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information.

The main legislation governing commercial banks in India is the Banking Regulation Act. The provisions of the Banking Regulation Act are in addition to and not, save as expressly provided in the Banking Regulation Act, in derogation of the Companies Act and any other law currently in force. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act, the Foreign Exchange Management Act and the Banker's Books Evidence Act. Additionally, the Reserve Bank of India, from time to time, issues guidelines to be followed by banks. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP. Banking companies in India are also governed by the provisions of the Companies Act and if such companies are listed on a stock exchange in India, then various regulations of the Securities and Exchange Board of India additionally apply to such companies.

Reserve Bank of India Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a license from the Reserve Bank of India to carry on banking business in India. This license is subject to such conditions as the Reserve Bank of India may choose to impose. Before granting the license, the Reserve Bank of India must be satisfied that certain conditions are complied with, including, but not limited to (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; (iv) that the public interest will be served if such license is granted to the bank; (v) that the general character of the proposed management of the bank will not be prejudicial to the public interest or the interest of its depositors; (vi) that having regard to the banking facilities available in the proposed principal area of operations of the bank, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the license would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth; and (vii) any other condition, the fulfillment of which would, in the opinion of the Reserve Bank of India, be necessary to ensure that the carrying on of banking business in India by the bank will not be prejudicial to the public interest or the interests of the depositors. The Reserve Bank of India can cancel the license if the bank, at any point, fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

ICICI Bank, because it is licensed as a banking company, is regulated and supervised by the Reserve Bank of India. The Reserve Bank of India requires us to furnish statements and information relating to our business. It has issued, among others, guidelines for commercial banks relating to banking activities and prudential guidelines relating to recognition of income, classification of assets, provisioning, exposure norms on concentration risk, valuation of investments and maintenance of capital adequacy. The Reserve Bank of India carries out its risk assessment of banks, under its risk-based supervision exercise, on an annual basis. The Reserve Bank of India has also set up a Board for

Financial Supervision, under the chairmanship of the Governor of the Reserve Bank of India. The appointment of the auditors of banks is subject to the approval of the Reserve Bank of India. The Reserve Bank of India can direct a special audit in the interest of the depositors or in the public interest.

Regulations Relating to the Opening of Branches

Opening of branches and shifting of existing branches are governed by the provisions of Section 23 of the Banking Regulation Act. The Reserve Bank of India may cancel a branch license for violations of the conditions under which the branch license is granted.

The Reserve Bank of India has substantially liberalized the branch authorization policy for scheduled commercial banks since fiscal 2014. In May 2017, the description of a branch was broadened to include all service delivery points of a bank, including branches and business correspondent outlets. The guidelines define a banking outlet as a fixed point service delivery unit, manned by either a bank’s staff or its business correspondent, and where services of acceptance of deposits, encashment of checks/cash withdrawal or lending of money are provided for a minimum of four hours per day for at least five days a week. The bank should have a regular off-site and on-site monitoring of the banking outlet to ensure proper supervision, uninterrupted service delivery and timely addressing of customer grievances.

The branch authorization policy is based on the classification of centers into six tiers based on the population size according to the 2011 census. Banks are permitted to open banking outlets in all centers without the prior approval of the Reserve Bank of India, subject to certain requirements. Banks are mandated to allocate 25.0% of the total number of new banking outlets opened during a year to un-banked rural centers. An unbanked rural centers is defined as a center in tier 5 and tier 6 centers that does not have core banking system enabled banking outlets. Restrictions on opening banking outlets in tier 1 centers, which are mainly metropolitan cities, was removed in May 2017 compared to the earlier norm that branches opened in tier 1 centers during a year cannot exceed the total number of branches opened in tier 2 to tier 6 centers during a year. Banks having general permission may shift, merge or close all banking outlets (except rural outlets and sole semi-urban outlets) at their discretion without the approval of the Reserve Bank of India. Branches can be shifted to locations in centers of the same or lower tier. The Reserve Bank of India can withhold the general permission granted with respect to branch opening and impose penal measures on banks that fail to meet the requirements. Banks are allowed to set up onsite/offsite Automated Teller Machines (ATMs) at centers/places identified by them, including SEZs.

Capital Adequacy Requirements

We are required to comply with the Reserve Bank of India's capital adequacy guidelines. The Reserve Bank of India has implemented the Basel III framework in India effective April 1, 2013. The implementation of the Basel III framework is being phased in over several years and will be fully implemented by March 31, 2019.

The total capital of a bank is classified into Tier 1 capital comprising of common equity Tier 1 and Additional Tier 1, and Tier 2 capital. Under the Reserve Bank of India's Basel III guidelines, common equity Tier 1 capital is comprised of paid-up equity capital, reserves consisting of any statutory reserves, other disclosed free reserves, capital reserves representing surplus arising out of sale proceeds of assets, discounted value of revaluation reserves and foreign currency translation reserves. Additional Tier 1 capital includes perpetual debt instruments, perpetual non-cumulative preference shares and any other type of instrument generally notified by the Reserve Bank of India from time to time for inclusion in additional Tier 1 capital. Tier 2 capital includes general provisions and loss reserves, debt capital instruments classified into Tier 2 any other type of instrument generally notified by the Reserve Bank of India from time to time for inclusion in Tier 2 capital.

The Reserve Bank of India's Basel III guidelines prescribes a minimum common equity Tier 1 risk-based capital ratio of 5.5% and a minimum Tier 1 risk-based capital ratio of 7.0% and a minimum total risk-based capital ratio of 9.0%. The guidelines require banks to maintain a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments; prescribes more stringent adjustments to and deductions from regulatory capital; provide for limited recognition of minority interests in the regulatory capital of a consolidated banking group; provide for additional capital requirements for derivative exposures; and impose a 4.5% leverage ratio (the ratio of Tier 1 capital to exposure) measure till a final ratio is stipulated by the Basel Committee by the end of 2017. The capital conservation buffer has been introduced in a phased manner from March 31, 2016. The leverage ratio is being disclosed on a quarterly basis from April 1, 2015 on a consolidated basis. Credit value adjustment risk capital charges for over the counter derivatives were effective from April 1, 2014. In November 2016, the Reserve Bank of India permitted banks to issue perpetual debt instruments that can qualify for inclusion as additional tier 1 capital and debt capital instruments that can qualify for inclusion as tier 2 capital, by way of rupee denominated bonds in the overseas market.

The Basel III guidelines stipulate that additional Tier 1 and Tier 2 capital instruments must have loss absorbency characteristics, which require them to be written down or be converted into common equity at a pre-specified trigger event. The guidelines prescribe two trigger points for instruments issued before March 31, 2019: a common equity Tier 1 ratio of 5.5% of risk-weighted assets before March 31, 2019; and a common equity Tier 1 ratio of 6.125% of risk-weighted assets on and after March 31, 2019. Instruments issued on or after March 31, 2019 must have a pre-specified trigger at common equity Tier 1 ratio of 6.125% of risk-weighted assets. Capital instruments that no longer qualify as additional Tier 1 or Tier 2 capital are being phased out from April 1, 2013, with their recognition capped at 90.0% of the outstanding at December 31, 2012 from April 1, 2013 and reduced by 10 percentage points in each subsequent year. The Reserve Bank of India has permitted temporary write-down features for non-equity capital instruments. The guidelines also permit call options on perpetual debt instruments and non-cumulative preference shares after five years. Banks can issue Tier 2 capital instruments with a minimum maturity of five years. Additionally, banks are allowed to issue additional Tier 1 and Tier 2 capital instruments to retail investors subject to approval of their boards and adherence to investor protection requirements.

Coupons on Basel III instruments are required to be paid out of current year profits, and if current year's profits are insufficient coupon may be paid out of revenue reserves. In February 2017, the Reserve Bank of India issued amendments with regard to payment of coupon on additional tier 1 capital instruments. As per the revised guidelines, if current year profits are not sufficient, coupon payment may be paid through profits carried forward from previous years, and/or reserves representing appropriation of net profits including statutory reserves. However, this would exclude share premiums, revaluation reserves, foreign currency translation reserves, investment reserves and reserves created on amalgamation. Appropriation from the statutory reserve shall be the last option when all other profit pools/reserves fall short of the coupon amount.

Apart from capital requirements, Basel III also prescribes two new liquidity requirements, the liquidity coverage ratio and the net stable funding ratio. The Reserve Bank of India has issued final guidelines on the liquidity coverage ratio effective from January 1, 2015 in a phased manner, starting with a minimum liquidity coverage ratio requirement of 60.0%, increasing to 100.0% from January 1, 2019. The Reserve Bank of India has also defined categories of assets qualifying as high quality liquid assets. The Reserve Bank of India issued draft guidelines on the net stable funding ratio in May 2015, which are likely to be implemented from January 1, 2018. See also "*—Regulations on Asset Liability Management*". The Reserve Bank of India has issued guidelines on capital disclosure requirements in addition to the existing Pillar 3 guidance. The guidelines prescribe reconciliation of all regulatory capital elements with the published financial statements and other disclosure requirements.

In July 2014, the Reserve Bank of India released the framework for domestic systemically important banks. Banks identified as systemically important based on their size, complexity, cross-jurisdictional activities and inter-connectedness in the financial sector would be required to maintain additional common equity Tier 1 capital ranging from 0.2% to 0.8% of risk-weighted assets. This requirement is in addition to the capital conservation buffer. The higher capital requirement for domestic systemically important banks is being implemented in a phased manner from April 1, 2016 to April 1, 2019. The names of banks classified as domestic systemically important banks would be disclosed in the month of August every year. In August 2015, the Reserve Bank of India announced that State Bank of India (with an additional common equity Tier 1 capital ratio requirement of 0.6%) and ICICI Bank (with an additional common equity Tier 1 capital ratio requirement of 0.2% to be phased in) were domestic systemically important banks. We continued to be categorized as systemically important in fiscal 2017. The additional common equity Tier 1 requirement for us is 0.05% of risk-weighted assets.

In February 2015, the Reserve Bank of India released the final guidelines on implementation of the counter-cyclical capital buffer for Indian banks. These guidelines would impose higher capital requirements on banks during periods of high economic growth. The counter-cyclical capital buffer would range from 0% to 2.5% of risk-weighted assets of a bank, based on the variation in the credit-to-GDP ratio from its long-term trend and other parameters. The Reserve Bank of India would pre-announce the buffer at least four quarters prior to implementation. The Reserve Bank of India will also announce guidance regarding the treatment of the surplus capital when the counter-cyclical capital buffer returns to zero. The Reserve Bank of India has stated that at present the economic conditions do not warrant activation of the counter-cyclical capital buffer. See also "*Operating and Financial Review and Prospects—Capital Resources— Regulatory capital*" and "*Risk Factors—Risks Relating to Our Business—We are subject to capital adequacy and liquidity requirements stipulated by the Reserve Bank of India, including Basel III, and any inability to maintain adequate capital or liquidity due to changes in regulations, a lack of access to capital markets, or otherwise may impact our ability to grow and support our businesses*".

With respect to computation of risk-weighted assets for capital adequacy purposes, we follow the standardized approach for the measurement of credit and market risks and the basic indicator approach for the measurement of operational risk. In the measurement of risk-weighted assets on account of credit risk, degrees of credit risk expressed as a percentage weighting have been assigned to various balance sheet asset items and off-balance sheet items. The credit equivalent value of off-balance sheet items is determined by applying conversion factors to the notional amount of the off-balance sheet items. The value of each item is multiplied by the relevant risk weight (and conversion factor for off-balance sheet items) to produce risk-adjusted values of assets and off-balance sheet items. Consumer credit exposures have a risk weight of 125.0% and other exposures meeting the qualifying criteria of regulatory retail, defined by the Reserve Bank of India, have a risk weight of 75.0%. Loans secured by residential property have differential risk weights ranging from 35.0% to 75.0% based on the size of the loan and the loan-to-value ratio. Since October 2015, residential housing loans of up to Rs. 3.0 million with a loan-to-value ratio of less than 80% and loans between Rs. 3.0 million and Rs. 7.5 million with a loan-to-value of less than 75.0% were risk-weighted at 35.0% compared to 50% earlier. Loans of up to Rs. 3.0 million with a loan-to-value ratio greater than 80.0% but less than 90.0% and loans between Rs. 3.0 million and Rs. 7.5 million with a loan-to-value between 75.0% and 80.0% were risk-weighted at 50.0%.

Loans greater than Rs. 7.5 million with a loan-to-value of less than 75.0% was risk-weighted at 75.0%. In June 2017, as a countercyclical measure, the risk weights for residential housing loans in some categories were revised. The maximum loan-to-value for loans between Rs. 3.0 million and Rs. 7.5 million was reduced to 80.0%, from the earlier 90.0%. The risk weight on loans greater than Rs. 7.5 million with a loan-to-value of less than 75.0% was revised from 75.0% to 50.0%.

Credit exposures to commercial real estate are risk-weighted at 100.0%, other than residential housing which is risk-weighted at 75.0%. Further, restructured housing loans have an additional risk weight of 25.0%. Credit exposures to rated corporations other than specified categories such as commercial real estate, non-deposit taking systemically important non-banking financial companies, venture funds and capital markets are risk-weighted based on the external credit ratings at a facility level, with the risk weight ranging from 20% to 150% and unrated corporate exposures being risk-weighted at 100.0%. Credit exposures to non-deposit taking systemically important non-banking finance companies are risk-weighted at 100.0%. The risk weights on externally unrated exposures to corporate sector and asset financing and infrastructure financing non-banking finance companies were increased in August 2016. Where the exposure of the banking system exceeds Rs. 2.0 billion, the risk weight is proposed to be increased from 100.0% to 150.0% from June 30, 2017. Aggregate exposure of more than Rs. 1.0 billion that was initially rated earlier but subsequently became unrated has been assigned a risk weight of 150.0% since August 2016. Exposures to capital markets are risk-weighted at 125.0% and exposures to venture capital funds are risk-weighted at 150.0%. Further, equity shares of corporations acquired by banks as part of a strategic debt restructuring of loans are risk-weighted at 150.0%. Capital requirements for market risk are applicable to the trading book exposure (including derivatives) and securities included in the available-for-sale and held-for-trading categories, open gold positions, open foreign exchange position limits, trading positions in derivatives and derivatives entered into for hedging trading book exposures. Capital requirements for operational risk are computed based on 15.0% of average of gross income for the previous three financial years. Central counterparties are treated as financial institutions for the purpose of capital adequacy. Capital requirements are defined based on the nature of the central counterparty, and a bank may consider holding capital in excess of the minimum requirement if the exposures are riskier or there is no clarity on the nature of the central counterparty. The Reserve Bank of India issued guidelines in November 2016, which will come into effect on April 1, 2018 for computing counterparty credit risk arising from derivative transactions and a framework for the capital treatment of bank exposures to central counterparties. The guidelines are based on the framework finalized by the Basel Committee on Banking Supervision and captures the risk arising from over the counter and centrally cleared derivative transactions.

The Reserve Bank of India has issued a timetable for the migration of Indian banks to the advanced approaches under the Basel II framework. Banks intending to migrate to the internal models approach for market risk and the standardized approach for operational risk were required to apply to the Reserve Bank of India after April 1, 2010. Banks intending to migrate to the advanced measurement approach for operational risk and internal ratings-based approaches for credit risk are required to apply to the Reserve Bank of India after April 1, 2012. In addition, in December 2011, the Reserve Bank of India issued guidelines on the internal ratings-based approach for calculating capital charges for credit risk. These guidelines prescribe the minimum loss given default levels to be considered for capital adequacy computation and treat restructured assets as non-performing assets for capital adequacy purposes. ICICI Bank is in the process of implementing various projects for migrating to the advanced approaches.

Under Pillar 2 of the Basel framework, banks are required to develop and put in place, with the approval of their boards, an Internal Capital Adequacy Assessment Process commensurate with their size, level of complexity, risk profile and scope of operations. The Reserve Bank of India has also issued guidelines on stress testing to advise banks to put in place appropriate stress testing policies and frameworks, including "sensitivity tests" and "scenario tests", for the various risk factors, the details and results of which are included in the Internal Capital Adequacy Assessment Process. The Reserve Bank of India issued updated guidelines on stress testing in December 2013. According to the guidelines, banks have to carry out stress tests for credit risk and market risk to assess their ability to withstand shocks. The guideline contains the overall objectives, governance, design and the implementation of stress testing program. Banks are required to carry out risk factor based stress testing, scenario based stress testing and stress testing by employing shocks on a bank's portfolio at a standalone and group level. In addition, banks are required to create a reverse stress testing framework by March 31, 2015. Banks are classified into three categories based on size of risk-weighted assets. Complex and severe stress testing would be carried out by banks with risk-weighted assets of more than Rs. 2,000.0 billion.

Loan Loss Provisions and Non-Performing Assets

The Reserve Bank of India consolidated its instructions and guidelines relating to income recognition, asset classification and provisioning standards in the Master Circular on "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances". The principal features of the Reserve Bank of India guidelines, which have been implemented with respect to our loans, debentures, lease assets, hire purchases and bills in our Indian GAAP financial statements, are set forth below.

Asset Classification

A non-performing asset is an asset in respect of which any amount of interest or principal is overdue for more than 90 days. In particular, an advance is a non-performing asset where:

- interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
- the account remains "out-of-order" (as defined below) in respect of an overdraft or cash credit;
- the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;
- installment of principal or interest remains overdue for two crop seasons for short duration crops or for one crop season for long duration crops;
- the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in accordance with the Reserve Bank of India guidelines on securitization issued on February 1, 2006;
- in respect of derivative transactions, the overdue receivables related to positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment; or
- in respect of credit card transactions, if the minimum amount due, as mentioned in the statement, remains overdue for a period of more than 90 days from the payment due date mentioned in the statement.

An account is treated as "out-of-order" if the outstanding balance remains continuously in excess of the approved drawing limit for 90 days. In circumstances where the outstanding balance in the principal operating account is less than the approved drawing limit, but (i) there are no credits continuously for a period of 90 days as of the date of the balance sheet of the bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts are treated as "out-of-order".

Interest in respect of non-performing assets is not recognized or credited to the income account unless collected.

Non-performing assets are classified as described below.

Sub-Standard Assets: Assets that are non-performing assets for a period not exceeding 12 months. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets: Assets that are non-performing assets for more than 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets: Assets on which losses have been identified by the bank or internal or external auditors during the performance of their audit procedures or during the Reserve Bank of India inspection but the amount has not been written off fully.

There are separate guidelines for classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure. For infrastructure projects, a loan is classified as non-performing if it failed to commence commercial operations within two years from the documented date of commencement and for non-infrastructure projects, the loan is classified as non-performing if it failed to commence operations within 12 months from the documented date of commencement. During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning, and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing assets and provisions of a number of Indian banks, including us, increased significantly during the second half of fiscal 2016. See also "*Risk Factors—Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*" and "*Business-Classification of loans*".

Following the government of India's decision to withdraw legal tender status of high denomination currency notes in November 2016, a special dispensation was given in the classification of loans up to Rs. 10.0 million and dues payable between November 1, 2016 and December 31, 2016. The Reserve Bank of India extended the period for recognizing a loan account as sub-standard by an additional 60 days, over and above the regulatory requirement of 90 days. The guideline was applicable to working capital accounts, agriculture, housing loans and term loans up to Rs. 10.0 million. Furthermore, in December 2016, this benefit was extended by another 30 days, over and above the earlier period of 60 days, in case of working capital accounts, agriculture loans and term loans for business purposes of up to Rs. 10.0 million.

Since fiscal 2017, banks have been mandated to make additional disclosures in their financial statements where there is a material divergence in the asset classification and provisioning by banks as compared to that prescribed by the regulator. According to the guidelines, where the additional provisioning requirements assessed by the Reserve Bank of India exceed 15.0% of the published net profits after tax for the reference period, and/or the additional gross non-performing assets identified by the Reserve Bank of India exceed 15.0% of the published incremental gross non-performing assets for the reference period, the same will have to be disclosed in the notes to accounts section of the annual report. The Reserve Bank of India, under its risk-based supervision exercise, carries out the risk assessment of banks on an annual basis. As a part of this assessment, the Reserve Bank of India separately reviews asset classification and provisioning of credit facilities given by banks to its borrowers. This assessment is initiated subsequent to the completion of the annual audit and the publication of audited financial statements for the given financial year. The divergences, if any, in classification or provisioning arising out of the supervisory process are given effect to in the financial statements in subsequent periods after conclusion of the exercise. We have made disclosures pertaining to such divergences in our annual report for fiscal 2017.

Restructured Loans

The Reserve Bank of India has separate guidelines for restructured loans. Up to year-end fiscal 2015, a fully secured standard loan (other than in specified categories such as personal loans, capital market exposures and commercial real estate exposures) could be restructured by rescheduling the principal repayment and/or the interest element without being classified as non-performing subject to compliance with prescribed conditions, but separately disclosed as a standard restructured loan. The classification of restructured loans as standard restructured loan was subject to compliance with certain conditions such as the loans being fully secured, promoter's contribution, including additional funds brought in, comprising at least 20.0% of a bank's sacrifice or 2.0% of the restructured debt, whichever is higher. Accounts restructured after April 1, 2015, are required to be classified as non-performing, except for restructuring of project loans on account of delay in commencement of operations (as discussed below) and accounts where the restructuring was proposed prior to April 1, 2015 but effected subsequent to that date.

With regard to restructuring of project loans, any extension in repayment of the loan beyond the prescribed period (two years for infrastructure projects and one year for non-infrastructure projects) of the date of commencement of commercial operations from the originally planned date is treated as a restructuring of the account. In cases where projects under implementation have been stalled primarily due to inadequacies of the existing promoters and there is a change in the ownership and management of the borrowing entity, a further period of extension of the date of commencement of commercial operations was permitted by two years.

Standard restructured loans are subject to higher standard asset provisioning requirements and higher risk weights for capital adequacy purposes. The higher standard asset provisioning requirements continue for two years from the commencement of the first payment of interest or principal, whichever is later on the credit facility with the longest period of moratorium. The higher risk weights continue until satisfactory performance under the revised payment schedule has been established for one year from the date when the first payment of interest/principal falls due under the revised schedule. Restructured loans continue to be classified as such until they cease to be subject to the higher standard asset provisioning and/or risk weight requirements. If the restructured account is overdue as per the revised schedule for a period beyond the minimum period prescribed for classification of a loan as non-performing, it is required to be downgraded to non-performing status with reference to the pre-restructuring payment schedule.

In June 2015, the Reserve Bank of India issued guidelines on strategic debt restructuring providing banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones. The guidelines provide for conversion of debt into equity and acquisition of majority ownership of the borrower by banks. On conversion of debt into equity, banks are allowed to continue with the current asset classification for an 18-month period (stand-still benefit) during which the loan continues to be classified as standard even if the default in payment of interest or principal would otherwise have required the loan to be classified as non-performing. Interest on the loan during this period is not accrued, and is recognized only if received in cash. On transfer of ownership to a new sponsor, the asset can be upgraded to the standard category and refinancing of the debt is allowed without such refinancing being treated as a restructuring. However, in the event a new sponsor is not identified within the 18-month period, the bank has to revert to the earlier asset classification norm as was applicable prior to the stand-still in asset classification. In September 2015, the Reserve Bank of India allowed banks to upgrade the credit facilities extended by banks to standard category even in the event of a change in ownership of the borrower outside strategic debt restructuring. Considering the change in risk profile following the change in management, banks are allowed to refinance the existing debt without treating it as restructuring subject to the bank making provisions for any diminution in fair value of the existing debt. See also, *"Risk Factors- Risks Relating to Our Business- Our standard loan portfolio includes loans subject to standstill provisions in respect of asset classification"*.

In February 2016, the Reserve Bank of India further revised guidelines with regard to strategic debt restructuring allowing banks to classify the asset as standard on divesting 26.0% of the shares of the company, lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters. It was further clarified that the benefit of 'stand-still' in asset classification will apply from the reference date (i.e. date of decision of strategic debt restructuring) itself. However, if the targeted conversion of debt into equity shares does not take place within 210 days from the review of achievement of milestones/critical conditions, the benefit will cease to exist.

As an additional measure to strengthen the ability of banks to deal with large stressed assets, in June 2016 the Reserve Bank of India issued guidelines introducing the Scheme of Sustainable Structuring of Stressed Assets. Projects that have commenced commercial operations and have aggregate borrowings (including interest) of over Rs. 5.0 billion are eligible to be structured under the scheme. The sustainable debt level should not be less than 50.0% of current funded liabilities. The scheme will be applicable where the Joint Lenders' Forum assesses the sustainable debt and concludes based on a techno-economic viability assessment that the current sustainable debt can be serviced over its tenor at current levels of cash flows. The portion assessed as unsustainable will be converted into equity or redeemable cumulative optionally convertible preference shares or convertible debentures. The guidelines also require higher provision to be made for the unsustainable portion of the debt. The scheme may include allowing the current promoter to continue with majority shareholding, or bringing in a new promoter, or lenders acquiring majority shareholding through conversion of debt into equity. In November 2016, the Reserve Bank of India revised the guidelines allowing the sustainable portion of the debt to be treated as standard at the time of implementation of the resolution, subject to provisions made upfront, covering the higher of 25.0% of the total outstanding or 50.0% of the unsustainable portion of debt.

In May 2017, the government of India promulgated the Banking Regulation (Amendment) Ordinance, 2017 which is intended to facilitate timely resolution of stressed assets by empowering the Reserve Bank of India. The Ordinance authorizes the Reserve Bank of India to direct banks to resolve specific stressed assets. It amended section 35A of the Banking Regulation Act, 1949 and authorized the Reserve Bank of India to intervene and instruct banks to resolve specific stressed assets and initiate insolvency resolution process where required. The Reserve Bank of India is also empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for resolution of stressed assets. Subsequently, to facilitate timely decision making under the Joint Lenders' Forum, the Reserve Bank of India issued guidelines directing banks to adhere to timelines and any resolution plan approved by 60.0% of the creditors by value and 50.0% of the creditors by number at the Joint Lenders' Forum was made binding on all members. The Overseeing Committee, which was set up to oversee resolution under the Scheme for Sustainable Structuring of Stressed Assets, was reconstituted and expanded and the scope of cases to be referred to the

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Overseeing Committee was also expanded to include cases other than under the Scheme for Sustainable Structuring of Stressed Assets having aggregate banking system exposure greater than Rs. 5.00 billion.

Further, in June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. The Reserve Bank of India has also directed banks to maintain a minimum prescribed provision for these cases referred to the National Company Law Tribunal. With respect to other identified stressed accounts, the banks are required to finalize a resolution plan within six months. In cases where a viable resolution plan is not agreed upon within six months, banks shall be required to file for insolvency proceedings under the Insolvency and Bankruptcy Code. See also *"Overview of the Indian Financial Sector- Legislative Framework for Recovery of Debts due to Banks"*.

Loans classified as sub-standard and doubtful assets can also be restructured. Non-performing accounts on restructuring can be upgraded only when all the outstanding loans or facilities in the account perform satisfactorily for a period of at least one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with the longest period of moratorium.

Since fiscal 2014, banks have been mandated to disclose further details on accounts restructured in their annual reports. This includes disclosing accounts restructured on a cumulative basis excluding the standard restructured accounts which cease to attract higher provision and/or higher risk weight, the provisions made on restructured accounts under various categories and details of movement of restructured accounts.

Provisioning and Write-Offs

Provisions under Indian GAAP are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- *Standard Assets:* The allowances on the performing portfolios are based on guidelines issued by the Reserve Bank of India. The provisioning requirement is a uniform rate of 0.4% for all standard assets except —

  - direct advances to agricultural and the small and micro enterprise sectors, which attract a provisioning requirement of 0.25%,

  - advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively,

- housing loans, where such loans are made at comparatively lower interest rates for the first years of the loan after which the rates are reset at higher rates, which attract a provisioning requirement of 2.0%.

An additional provision between 0%-0.8% is required from April 1, 2014 on standard loans to entities having unhedged foreign currency exposure. Banks also have to make an accelerated provision of 5.0% on the loans overdue for 61-90 days and where the formation of the Joint Lenders' Forum, required for such accounts, has been delayed. See also "—*Framework for Early Identification of Stress and Information Sharing*". Further, standard loans require a higher provision of 5.0% in case any director of the company appears more than once in the list of willful defaulters. In case of fraud accounts, 100.0% provisioning has to be made with the option to make the provision over a period of four quarters. The provision requirement pertaining to fraud accounts is computed after adjusting for any financial collateral that may be available and is eligible under Basel III capital adequacy computation.

In a guideline issued in April 2017, the Reserve Bank of India requires banks to maintain provisions for standard assets at rates higher than the regulatory requirement in respect of advances to stressed sectors of the economy. Banks have to put in place a Board-approved policy for making higher provisions based on evaluation of risk and stress in various sectors. The policy will have to be reviewed on a quarterly basis. As an immediate step, the Reserve Bank of India required banks to review the telecom sector by June 30, 2017.

- *Sub-Standard Assets*: A provision of 15.0% is required for all sub-standard assets as compared to the previous requirement of 10.0%. A provision of 25.0% is required for accounts that are unsecured. Unsecured infrastructure loan accounts classified as sub-standard require provisioning of 20.0%.

- *Doubtful Assets*: A 100.0% provision/write-off is required against the unsecured portion of a doubtful asset and is charged against income. With effect from fiscal 2012, for the secured portion of assets classified as doubtful, a 25.0% provision is required for assets that have been classified as doubtful for a year, a 40.0% provision is required for assets that have been classified as doubtful for one to three years (compared to a 30.0% provision required through fiscal 2011) and a 100.0% provision is required for assets classified as doubtful for more than three years. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third-party appraisers.

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

Restructured Loans: The provision on restructured loans is required to be equal to the difference between the fair value of the loan before and after restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged under the loan's restructured terms and the principal. Both sets of cash flows are discounted at the bank's base rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. In July 2015, the Reserve Bank of India issued guidelines on the discount rate for computing the present value of future cash flows of a restructured account. The guideline prescribes that a rate equal to the actual interest rate charged to the borrower before restructuring should be used to discount the future cash flows for the purpose of determining the diminution in fair value of the loan on restructuring. A weighted average interest rate may be used as the discounting rate for accounts having multiple credit facilities with varying interest rates.

The Reserve Bank of India has issued prudential norms on income recognition, asset classification and provisioning pertaining to advances which covers norms relating to creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The floating provisions outstanding at year-end can be used only for contingencies under extraordinary circumstances for making specific provisions against non-performing accounts after obtaining approval from the board of directors and with the prior permission of the Reserve Bank of India. It also clarified that the extraordinary circumstances refer to losses which do not arise in the normal course of business and are exceptional and non-recurring in nature, such as natural calamities, civil unrest, collapse of currency, general melt down in the markets affecting the entire financial system and exceptional credit losses. Floating provisions for advances and investments must be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted off from gross non-performing assets to compute the net non-performing assets. Alternatively, floating provisions could be treated as part of Tier 2 capital within the overall ceiling of 1.25% of total risk-weighted assets.

In October 2009, the Reserve Bank of India advised Indian banks to increase their total provisioning coverage ratio, including floating provisions and prudential/technical write-offs, to 70.0% by September 30, 2010. The Reserve Bank of India allowed the banks to include prudential/technical write-off in both the gross non-performing assets and the provisions held in the calculation of provisioning coverage ratio. The Reserve Bank of India permitted us to achieve the stipulated level of provisioning coverage of 70.0% in a phased manner by March 31, 2011. We reached the required 70.0% in December 2010. In April 2011, the Reserve Bank of India stipulated that banks would be required to maintain their provisioning coverage ratios with reference to their gross non-performing assets position at

September 30, 2010 and not on an ongoing basis. The Reserve Bank of India further clarified that any surplus provisioning should not be written back but should be segregated into a "counter-cyclical provisioning buffer" and that banks will be allowed to use this buffer to make specific provisions for non-performing assets during a system-wide downturn. For instance, considering the slowdown in economic growth and rising asset quality concerns during fiscal 2014, as a counter-cyclical measure, the Reserve Bank of India allowed banks to utilize up to 33.0% of the counter-cyclical provisioning buffer or floating provisions held as on March 31, 2013, for making accelerated or additional provisions towards non-performing assets during fiscal 2014. Further, in March 2015, the Reserve Bank of India increased the limit to 50.0% of the counter-cyclical provisioning buffer or floating provisions held as on December 31, 2014, for making accelerated or additional provisions towards non-performing assets during fiscal 2015. See also "*Risk Factors—Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*".

To limit the volatility of loan loss provisioning over the course of an economic cycle, the Reserve Bank of India released a discussion paper on a dynamic loan loss provisioning framework in March 2012. The framework proposes to replace the existing general provisioning standards and recommends that banks make provisions on their loan book every year based on historical loss experience in various categories of loans. In those years where the bank's actual provisions are higher than the computed dynamic provisions requirement, the bank can draw down from existing dynamic provisions to the extent of the difference, subject to the retention of a specified minimum level of dynamic provisions. The final guidelines on the dynamic provisioning framework and its implementation have not been issued. The Reserve Bank of India indicated in early 2014 that the framework would be implemented as economic conditions improve along with an improvement in the banking system. In the meantime, banks are expected to develop necessary capabilities to compute their long term average annual expected loss for different asset classes in a step towards switching to the dynamic provisioning framework.

Under the Banking Regulation Act, banking companies in India are required to comply with the directions of the Reserve Bank of India, including guidelines issued with respect to asset identification, asset classification and provisioning by banking companies. While preparing the financial statements under Indian GAAP, banking companies are required to comply with all regulatory requirements, including such directions issued by the Reserve Bank of India. The Reserve Bank of India has issued a circular on February 11, 2016, instructing all scheduled commercial banks in India to comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning April 1, 2018, subject to any guideline or direction issued by the Reserve Bank of India in this regard. Therefore, beginning with the financial statements in fiscal 2019, all asset identification, asset classification and provisioning by banking companies will be based on Ind AS, subject to any further guideline or direction issued by the Reserve Bank of India.

Guidelines on Sale and Purchase of Non-performing Assets

In order to provide banks with option to resolve their non-performing assets, the Reserve Bank of India issued guidelines on the sale and purchase of non-performing assets among banks, financial institutions and non-banking finance companies. As per these guidelines, the board of directors of the bank must establish a policy for the purchase and sale of non-performing assets. Purchases and sales of non-performing assets must be without recourse to the seller and on a cash basis, with the entire consideration being paid upfront. The purchasing bank must hold the non-performing asset on its books for at least 12 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller.

Guidelines Relating to Use of Recovery Agents by Banks

In April 2008, the Reserve Bank of India issued guidelines for those banks which are engaging recovery agents. The Reserve Bank of India has asked banks to put in place a due diligence process for the engagement of recovery agents, structured to cover, among others, individuals involved in the recovery process. Banks are expected to communicate details of recovery agents to borrowers and have in place a grievance redressal mechanism pertaining to the recovery process. The Reserve Bank of India has advised banks to initiate a training course for current and prospective recovery agents to ensure prudent recovery practices. In case of persistent complaints received by the Reserve Bank of India regarding violation of guidelines, the Reserve Bank of India may consider imposing a ban on the bank from engaging recovery agents.

Regulations Relating to Sale of Assets to Asset Reconstruction Companies

The Securitization Act, also known as the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), provides for the sale of financial assets by banks and financial institutions to asset reconstruction companies. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. These assets are to be sold on a 'without recourse' basis, only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangements, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale. In fiscal 2015, the Reserve Bank of India had also permitted banks to sell standard loans overdue for more than 60 days and reported as special mention accounts to asset reconstruction companies. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Banks can also invest in security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. The Reserve Bank of India has also issued guidelines governing the affairs of securitization and reconstructions companies. The guideline provides norms relating to period of realization of assets by securitization and reconstruction company, mandatory holding of security receipts, period for formulating plan of recovery etc.

Banks are also allowed to reverse the excess provision in case a non-performing asset is sold to asset reconstruction companies at a value which is higher than the net book value subject to realization in cash and necessary disclosures. The quantum of excess provision reversed to the profit and loss account is limited to the extent to which cash received exceeds the net book value of the non-performing assets sold. In the event the sale value is lower than the net book value, banks are allowed to spread over the shortfall from the sale of non-performing assets over a period of two years as per guidelines issued in May 2015. This dispensation was available for non-performing assets sold up to March 31, 2016. However, as per guidelines issued in June 2016 by the Reserve Bank of India, the dispensation was extended up to March 31, 2017, and the period to spread over the shortfall was restricted to four quarters from the quarter in which the sale took place. For assets sold to asset reconstruction companies during fiscal 2017, in case full provisioning remains to be made as on March 31, 2017, on close of financial year, banks should debit the ‘other reserves’ component of the balance sheet (which are reserves created for the un-provided amount at the end of the financial year). Banks should proportionately reverse the debits to ‘other reserves’ and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year. Further, securitization companies and asset reconstruction companies are not permitted to acquire any non-performing financial assets from their sponsor banks on a bilateral basis. However, they may participate in auctions of non-performing assets by their sponsor banks.

Pursuant to the powers conferred on the Government under section 20 of the SARFAESI Act, the Ministry of Finance established the central electronic registry, which became operational from March 31, 2011. Henceforth, all transactions relating to securitization, reconstruction of financial assets and the transactions relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions are to be registered in the central electronic registry within 30 days of such transaction. The records will be available for search by any lender or any other person interested in dealing with the property and are designed to prevent frauds involving multiple lending against the same security as well as to prevent fraudulent sale of property without disclosing any existing security interest over such property.

In September 2016, the Reserve Bank of India issued revised guidelines relating to sale of non-performing assets by banks to securitization companies/reconstruction companies. Key features of the revised guidelines include allowing banks to sell such assets to non-banking finance companies, while earlier only sale to securitization companies/asset reconstruction companies were allowed. The framework requires using an e-auction platform and has introduced a floor of provisioning for investment in security receipts backed by stressed assets. The provisioning is at the rate applicable to the underlying loans, assuming that the loans will notionally continue in the books of the bank, because more than 50.0% of the security receipts are held by the bank that sold loans since April 1, 2017. The threshold on security receipts held by the bank that is selling loans will be reduced to 10.0% from April 2018. The framework also prescribes additional disclosure requirements and offering first right of refusal to securitization companies/asset reconstruction companies which has already acquired a significant share of the asset through the auction process.

Framework for Early Identification of Stress and Information Sharing

In February 2014, the Reserve Bank of India issued a "Framework for Revitalizing Distressed Assets in the Economy". The framework outlines an action plan for early identification of problem cases, creating a central repository of information on large credits, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. Accounts have to be categorized into 'special mention accounts' based on specified criteria. Banks are required to have three sub-categories of special mention accounts depending on the classification of accounts between the standard category and the sub-standard category. SMA-0 category includes accounts where the principal or interest payment is not overdue for more than 30 days but are showing incipient signs of stress; SMA-1 includes accounts where the principal or interest payment is overdue between 31-60 days; and SMA-2 which includes accounts where the principal or interest payment is overdue between 61-90 days.

Joint Lenders' Forums are required to be formed to formulate corrective action plans within stipulated timelines, and in case the forum fails to agree on an action plan, it would result in accelerated provisioning. A requirement for independent evaluation of large value restructuring proposals has also been specified. An independent evaluation of large value restructuring with a focus on viability and fair sharing of gains and losses between promoters and creditors has been mandated. The framework is effective from April 1, 2014. In May 2017, following the promulgation of the Banking Regulation (Amendment) Ordinance, 2017, the Reserve Bank of India issued guidelines to facilitate timely decision making under the Joint Lenders' Forum. The Reserve Bank of India directed banks to adhere to timelines or face monetary penalties. Any resolution plan approved by 60.0% of the creditors by value and 50.0% of the creditors by number at the Joint Lenders' Forum was made binding on all members. The Joint Lenders' Forum was permitted to prepare the corrective action plan either by way of flexible structuring of project loans, changing in ownership through strategic debt restructuring, scheme for sustainable structuring of stressed assets or any other mechanism as permitted by the Reserve Bank of India. See also "*Overview of the Indian Financial Sector—Legislative Framework for Recovery of Debts due to Banks—Joint Lenders' Forum" and "Overview of the Indian Financial Sector- Legislative Framework for Recovery of Debts due to Banks- The Banking Regulation (Amendment) Ordinance, 2017"*. Willful defaulters will normally not be eligible for restructuring, unless the Joint Lenders' Forum on assessment concludes that the account can be restructured.

The Reserve Bank of India issued guidelines in May 2015 providing a framework for dealing with loan frauds. The guidelines relate to detection, reporting and monitoring of fraud accounts. They prescribe continuous monitoring and red flagging of accounts based on early warning signals for accounts above Rs. 500 million. They also require reporting frauds on the Reserve Bank of India's central repository of information on large credits for dissemination to other banks and decision-making by the Joint Lenders' Forum in case of consortium or multiple banking arrangements. The framework also illustrates checks/investigations during the different stages of the loan life-cycle and timelines have been defined to complete the due diligence for evaluation of an account. Restructuring or grant of additional facilities would not be available in case of fraud or red flagged accounts. There are provisioning guidelines relating to fraud accounts that require banks to make a provision for the entire amount due to the bank over a period of four quarters.

In March 2016, the Reserve Bank of India issued a revised framework for the revival and rehabilitation of micro, small and medium enterprises. The guidelines are applicable for loans given to micro, small and medium enterprises with loan limits of up to Rs. 250 million, including accounts under consortium or multiple banking arrangements. Restructuring of micro, small and medium enterprises' loan accounts with exposure of above Rs. 250.0 million continue to be governed by the guidelines on corporate debt restructuring and Joint Lenders' Forum mechanism.

Regulations Relating to Advancing Loans

The provisions of the Banking Regulation Act govern the advancing of loans by banks in India. The Reserve Bank of India also issues directions covering the loan activities of banks. These directions and guidelines issued by the Reserve Bank of India have been consolidated annually in the Master Circular on "*Loans and Advances—Statutory and Other Restrictions*". These guidelines and directions are revised from time to time by the Reserve Bank of India.

Banks are free to determine their own lending rates but each bank must disclose its minimum interest rate which takes into consideration all elements of lending rates that are common across borrowers. The base rate replaced the benchmark prime lending rate as the standard on July 1, 2010 and was applicable for loans made up to March 31, 2016. During the period when the base rate was applicable as the minimum rate for loans, banks were not permitted to lend below the base rate except for Differential Rate of Interest advances, loans to banks' own employees and retired employees and loans to banks' depositors against their own deposits. Banks could determine their final lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as they consider appropriate. Until such time that loans linked to the benchmark prime lending rate existed, banks had to announce both the benchmark prime lending rate and the base rate.

In April 2014, the Reserve Bank of India's Working Group on Pricing of Credit submitted its report proposing to increase transparency and fairness in credit pricing. The committee recommended that banks should compute the base rate on the basis of marginal cost of funds and there should be a board approved policy delineating the various components that determine the spread that is charged to a customer. It was further recommended that the spread charged to a customer cannot be increased except when the credit risk profile of the customer deteriorates. Also, the periodicity of the interest rate reset should be notified in advance at the time of sanctioning the loan, and any change in interest rates can be made only on pre-specified dates irrespective of the changes made in the base rate. Banks should be able to demonstrate to the Reserve Bank of India the rationale of the pricing policy. Based on the recommendations of the committee, in January 2015, the Reserve Bank of India revised the guidelines on the methodology for calculation of base rate. Banks had the flexibility to choose the methodology for calculating the cost of funds, the basis for which could include the average cost of funds or marginal cost of funds. The interest rate on deposits forming part of the calculation, should be chosen for the tenor having the largest share in the deposit base of the bank. Further, banks were required to review the methodology every three years against the earlier requirement of five years. These guidelines were effective from February 19, 2015.

In December 2015, the Reserve Bank of India issued final guidelines on the computation of lending rates based on marginal cost of funds. The Marginal Cost of Funds based Lending Rate is applicable on incremental lending from April 1, 2016 and is a tenor linked benchmark. The guidelines clarify the methodology to compute the marginal cost of funds based lending rate, which comprises of marginal cost of funds, negative carry on account of cash reserve ratio, operating costs and tenor premium. The guidelines specified categories of loans which can be priced without linkage to the marginal cost of funds based lending rate. Banks have to review and publish their marginal cost of funds based lending rate every month on a pre-announced date for different maturities ranging from overnight rate up to one year. The periodicity of reset shall be one year or lower. Loans linked to the base rate can continue till repayment or renewal with existing borrowers having the option to move to the marginal cost of funds based lending rate linked loan at mutually acceptable terms. Interest rates for all floating rate loans and fixed rate loans (including the fixed rate portion of hybrid loans) of tenor up to three years cannot be less than the marginal cost of funds based lending rate.

Under Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances against the security of its own shares and a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act or a government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that 'loans or advances' shall not include any transaction which the Reserve Bank of India may specify by general or special order as not being a loan or advance for the purpose of this section.

There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose. The Reserve Bank of India has issued guidelines requiring banks to put in place a policy for exposure to real estate with the approval of their boards. The policy should include exposure limits, collaterals to be considered, collateral cover and margins and credit authorization. The Reserve Bank of India has also permitted banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment. Banks are not permitted to finance acquisitions by companies in India. With regard to mortgages, the Reserve Bank of India has imposed a ceiling of 75.0% on the loan-to-value ratio in respect of housing loans exceeding Rs. 7.5 million. However, small value loans of less than Rs. 3.0 million are permitted to have a loan-to-value ratio not exceeding 90.0% subject to appropriate risk weight and loans from Rs. 3.1 million to Rs. 7.5 million can have a loan-to-value ratio of 80% subject to appropriate risk weight. For loans where the cost of the house/dwelling unit is less than Rs. 1.0 million, the Reserve Bank of India has allowed banks to include stamp duty, registration and other documentation charges to the cost of the house/dwelling unit for the purpose of calculating the loan-to-value ratio from March 2015. In November 2012, the Reserve Bank of India issued instructions regarding sharing of information relating to credit, derivatives and unhedged foreign currency exposures among banks and to put in place an effective mechanism for information sharing. Also, from January 1, 2013, sanction of fresh loans and renewal of loans to new and existing borrowers should be done only after obtaining/sharing necessary information. In September 2013, the Reserve Bank of India announced the creation of a central repository of large common exposures across banks, to be based on submissions made by banks to the Reserve Bank of India on exposures of more than Rs. 100.0 million to individuals and entities. Subsequently, the limit was reduced to Rs 50 million and above.

In order to ensure adequate credit flow to infrastructure projects, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure projects and low-cost housing in July 2014. These bonds must have a minimum maturity of seven years and are exempted from reserve requirements, such as cash reserve ratio and statutory liquidity ratio, and are also permitted to be deducted from adjusted net bank credit for the purpose of priority sector lending targets.

The Reserve Bank of India has also issued guidelines in July 2014 permitting flexible structuring of long-term project loans to infrastructure and other core industries. According to the guidelines, banks are permitted to structure long-term project loans with the intent of refinancing these loans at periodic intervals without such refinancing being considered as restructuring. Such loans could have tenors linked to the economic life of the project and can extend up to 25 years and the fundamental viability of the project would be established on the basis of all requisite financial and non-financial parameters. The amortization schedule of the loans can be modified once during the course of the loan without classifying them as restructured loans provided they meet certain specific requirements, such as being a standard asset with no loss on the net present value and the debt amortization is scheduled within 85.0% of the economic life of the project. While the flexible structuring of long-term project loans was initially applicable to the infrastructure sector and other core industries, this flexibility was extended to loans in all sectors from November 2016.

In August 2014, the Reserve Bank of India issued guidelines with regard to refinancing of existing project loans. According to the guidelines, banks are permitted to refinance such loans by way of full or partial take-out financing, even without a pre-determined agreement with other banks, without such refinancing being considered as restructuring. In the case of partial take-out financing, a minimum 25.0% of the outstanding loan value must be taken over by the new set of lenders as against the earlier requirement of 50.0%. Such loans should be 'standard' in the books of the existing banks at the time of the refinancing and should have started commercial operations. Also, the total exposure of all institutional lenders to such projects must be a minimum of Rs. 10.0 billion. This facility would be available only once during the life of the existing project loan.

Directed Lending

Priority Sector Lending

The guidelines on lending to priority sector require commercial banks to lend a certain percentage of their adjusted net bank credit to specific sectors (the priority sectors), such as agriculture, micro and small enterprises, micro-credit, education and housing finance. The target for total priority sector advances is set at 40.0% of adjusted net bank credit (which is net bank credit plus those investments made by banks in non-statutory liquidity bonds/debentures that are included in the held-to-maturity category, investments eligible to be treated as priority sector, investments in eligible government funds on account of priority sector shortfall, outstanding priority sector lending certificates excluding long-term bonds for infrastructure and affordable housing eligible for exemptions, and eligible advances extended in India against the incremental foreign currency deposits qualifying for exemption from CRR/SLR requirement) or of the credit equivalent amount of off-balance sheet exposure, whichever is higher as of March 31 of the previous fiscal year. Banks falling short of their priority sector lending targets are required to contribute amounts equivalent to the shortfall to specific Government funds like the Rural Infrastructure Development Fund, established by the National Bank for Agriculture and Rural Development, or funds with other financial institutions.

The Reserve Bank of India released revised priority sector lending guidelines in April 2015 which have been applicable since fiscal 2016. The overall target for priority sector lending continue to be 40.0% of adjusted net bank credit or of the credit equivalent amount of off-balance sheet exposure, whichever is higher; earlier sub-targets in advances to the agricultural sector of 13.5% direct lending and 4.5% indirect lending were combined and sub-targets of 8.0% for lending to small and marginal farmers and 7.5% lending target to micro-enterprises were introduced. These sub-targets were to be achieved in a phased manner by March 2017. Sectors qualifying for priority sector lending have been broadened to include medium enterprises, social infrastructure and renewable energy. Priority sector lending achievements are being evaluated on a quarterly average basis from fiscal 2017. According to the guidelines, foreign banks with less than 20 branches will also now be required to meet priority sector lending targets of 40.0% of adjusted net bank credit, on par with domestic banks by fiscal 2020. Further, in July 2015, the Reserve Bank of India directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for shortfall. The Reserve Bank of India would notify the banks of the banking system's average level at the beginning of each year. The target for fiscal 2017 was set at 11.70% of adjusted net bank credit. The Reserve Bank of India has also directed banks to continue to pursue the target of 13.5% of adjusted net bank credit towards lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines.

Investments by banks in securitized assets, outright purchases of loans and assignments are eligible for classification under priority sector if the underlying assets themselves qualified for such treatment. The interest rates charged to ultimate borrowers by the originating entities in such transactions are capped for such transactions to be classified as priority sector.

Banks falling short of their priority sector lending targets are required to contribute amounts equivalent to the shortfall to specific Government funds. The contribution is made by subscribing to bonds issued with a maturity of up to seven years. The interest rates on these contributions are below market rates and are generally set depending on the bank rate as set by the Reserve Bank of India. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding mandated investments in these Government funds at March 31 of the fiscal year to be treated as part of indirect agriculture and count towards overall priority sector target achievement. Investments at March 31 of the preceding year would also be included in the adjusted net bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. In December 2014, the Reserve Bank of India restructured the classification of shortfall and interest rates payable to banks on funds placed with the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India and the National Housing Bank towards shortfall in meeting priority sector obligations. For accounting periods commencing April 1, 2015, amounts equivalent to the shortfall placed with specific Government funds is included under Schedule 11, under ‘other assets’ in the balance sheet of banks from the earlier categorization under investments.

In April 2016, the Reserve Bank of India allowed banks to trade their priority sector portfolio by selling or buying priority sector lending certificates. Scheduled commercial banks, regional rural banks, local area banks, small finance banks and urban co-operative banks can participate in this trade. Four types of certificates for the categories of agriculture, small and marginal farmers, micro enterprises and general category certificates have been allowed. There will be no transfer of risks or loan assets in these transactions. A bank can issue priority sector lending certificates up to 50.0% of the previous year’s priority sector lending achievement. The certificates will expire on March 31 and will not be valid beyond the last reporting date for the fiscal year. The calculation of priority sector lending would be the sum of the outstanding priority sector lending portfolio and the net priority sector lending certificates purchased.

Considering the volatility in the currency market, as a one-time measure in fiscal 2014, the Reserve Bank of India allowed incremental foreign currency non-resident bank deposits and non-resident (external) rupee deposits with a maturity of three years and above to be exempted from maintenance of reserve requirements including cash reserve ratio and statutory liquidity ratio. This benefit was available on deposits received between July 26, 2013 and March 7, 2014. Advances extended against such incremental foreign currency deposits were allowed to be excluded from the computation of adjusted net bank credit for priority sector lending targets. These advances would be eligible for exclusion from adjusted net bank credit till their repayment. Further, in fiscal 2015, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure and low-cost housing. The amount raised by way of these bonds is permitted to be excluded from adjusted net bank credit for the purpose of computing priority sector lending targets, except to the extent that the lending against these bonds is included in priority sector lending.

The Reserve Bank of India is also focused on promoting financial inclusion, and has envisaged a number of steps in this direction. The Committee on Comprehensive Financial Services for Small Businesses and Low-income Households, in its report released in January 2014, has proposed a differentiated banking system with creation of new payments and wholesale banks. Accepting these proposals, the Reserve Bank of India has issued in-principle licenses to 11 payments banks and has indicated releasing a paper on licensing of wholesale banks. The committee has further recommended giving certain non-bank entities direct access to the settlement systems and allowing non-deposit taking non-bank finance companies to act as business correspondents. The committee has also proposed a new framework for priority sector lending along with a new method for computation of priority sector targets based on district and sector wise credit penetration.

With a view to ensure adequate flow of credit to the micro and small enterprises, in April 2014 the Reserve Bank of India advised banks to provide differential interest rates for such borrowers. While pricing the loan, banks have to take into account incentives made available to micro and small enterprises in the form of credit guarantee cover and the zero risk weight applicable to such guaranteed loans for capital adequacy purposes. In July 2016, the Reserve Bank of India issued directions for lending to the micro, small and medium enterprises sector which take into consideration the recommendations of the Prime Minister's Task Force on lending to micro, small and medium enterprises. As per the recommendations, banks are required to achieve 20.0% year-on-year growth in credit to micro and small enterprises, 10.0% growth in the number of micro enterprises account and 60.0% of total lending to micro, small and medium enterprises as on the preceding March 31 should be to micro enterprises.

Export Credit

The Reserve Bank of India allows exporters to avail short-term working capital financing at internationally comparable interest rates. Export credit is available both in rupee as well as in foreign currency. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's adjusted net bank credit is required to be in the form of export credit. This target is in addition to the priority sector lending target of 40.0% of adjusted net bank credit. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. In May 2014, the Reserve Bank of India allowed exporters with a satisfactory track record of at least three years to receive long-term export advance at concessional rates for execution of long-term supply contracts up to a maximum period of 10 years.

Responsibilities of Chief Risk Officer

As part of steps taken to strengthen risk management in banks, in April 2017, the Reserve Bank of India issued guidelines which aimed to separate credit risk management function from the credit sanction process and also bring uniformity in the approach followed by banks. As per the guidelines, a Board approved policy defining the role and responsibilities of the Chief Risk Officer has to be established, with clearly defined reporting lines either to the Managing Director/Chief Executive Officer or the risk management committee of the bank. The Chief Risk Officer should not have a dual role, report into any business vertical or be given any business targets. The Chief Risk Officer can be removed or transferred only with the approval of the Board.

Credit Exposure Limits

As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, the Reserve Bank of India has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). These measures are consolidated in the Reserve Bank of India's Master Circular on exposure norms dated July 1, 2015. The limits currently set by the Reserve Bank of India are as follows:

- The exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower may be extended by another 5.0% (i.e., up to 20.0% of capital funds) and the group exposure limit may be extended by another 10.0% (i.e., up to 50.0% of capital funds). The exposure limit in respect of single borrower was raised to 25.0% of capital funds for oil companies that were issued oil bonds by the government of India. Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.

- Exposures to public sector undertakings are exempted from group exposure limits.

- Capital funds are the total capital as defined under capital adequacy norms (Tier 1 and Tier 2 capital).

- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). Non-fund based exposures are calculated at 100.0% and in addition, banks need to include exposure on account of forward contracts in foreign exchange and other derivative products, like currency swaps and options, computed in accordance with the current exposure method at their replacement cost value in determining individual or group borrower exposure ceilings.

The Reserve Bank of India requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodic review by the banks. We have fixed a ceiling of 15.0% on our exposure to any one industry (other than retail loans) and monitor our exposures accordingly.

As an interim measure to promote a central clearing of standardized over-the-counter derivative products through a central counterparty, in January 2014, the Reserve Bank of India issued guidelines allowing a bank's clearing exposure to qualifying central counterparties to be outside of the ceiling of 15.0% of its capital funds applicable to a single counterparty. Other exposures to qualifying central counterparties such as loans, credit lines, investments in the capital of central counterparty, liquidity facilities, etc. would continue to be within the existing ceiling of 15.0% of capital funds to a single counterparty. However, all exposures of a bank to a non-qualifying central counterparty should be within the exposure ceiling of 15.0%.

In May 2016, the Reserve Bank of India issued a discussion paper proposing limits on the banking system's exposure to large borrowers and requires higher standard for asset provisioning and risk weights on incremental exposures beyond the normally permitted lending limits. Draft guidelines were issued in August 2016 and the final guidelines in December 2016. According to the guidelines, a borrower having an aggregate fund-based credit limit of Rs. 250.0 billion at any time during fiscal 2018 will be considered a large borrower. This limit will be gradually reduced to Rs. 150.0 billion in fiscal 2019 and to Rs. 100.0 billion from fiscal 2020 onwards. The normally permitted lending limit is defined as an amount that is 50.0% of the incremental funds raised over and above the aggregate fund-based credit limit. The general provision required on the incremental exposure above the normally permitted lending limit would be 3.0% and the additional risk weight for such exposure over and above the applicable risk weight would be 75.0%. The framework became applicable from April 1, 2017 with respect to identification of specified borrowers. The disincentive mechanism in terms of additional provisioning and higher risk weights will become applicable from April 1, 2018.

Further, in December 2016, the Reserve Bank of India issued additional final guidelines to large borrowers effective from April 1, 2019. The framework prescribes a limit of 20.0% and 25.0% of the eligible capital base in respect of exposures to single counterparty and groups of connected counterparties. The eligible capital base is defined as the tier 1 capital of the bank as against the current norm of total capital funds. Exposure to single non-banking finance company and group of connected non-banking finance companies is restricted to 15.0% and 25.0%, respectively, of the eligible capital base.

Limits on Exposure to Non-banking Finance Companies

The Reserve Bank of India has issued guidelines which restrict a bank's exposure to non-banking finance companies. Exposure (both lending and investment, including off-balance sheet exposures) of a bank to a non-banking finance company and asset financing company is restricted to 10.0% and 15.0% respectively of the bank's capital funds as per the last audited balance sheet. This limit can be exceeded by an additional 5.0% if the excess exposure is on account of on-lending by the non-banking finance company/asset finance company to the infrastructure sector. Exposure to non-banking infrastructure finance companies has been restricted to 15.0% of bank's capital funds with a provision to increase it to 20.0% if the same is on account of funds on-lent to the infrastructure sector.

Limits on intra-group transaction and exposures

In February 2014, the Reserve Bank of India issued guidelines on management of intra-group transaction and exposures for financial conglomerates. The guidelines prescribe quantitative limits for intra-group financial transactions and prudential measures for non-financial transactions. The Reserve Bank of India has prescribed a single group entity exposure limit of 5.0% of paid-up capital and reserves of the bank for non-financial companies and unregulated financial services companies and 10.0% in case of regulated financial entities. The aggregate group exposure cannot exceed 20.0% of paid-up capital and reserves in case of all group entities (financial and non-financial) taken together and 10.0% in case of all non-financial companies and unregulated financial services companies taken together. Banks' exposures to other banks/financial institutions in the group in form of equity and other capital instruments are exempted from above limits. In case a bank's current intra-group exposure is more than the limits stipulated in the guidelines, it should bring down the exposure within the limits before March 31, 2016. If the exposure exceeds the permissible limits after March 31, 2016, the excess amount would be deducted from common equity Tier 1 capital of the bank.

Regulations Relating to Investments and Capital Market Exposure Limits

In terms of Section 19(2) of the Banking Regulation Act, banks should not hold shares in any company except as provided in sub-section (1) of that Act, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30.0% of the paid-up share capital of that company or 30.0% of its own paid-up share capital and reserves, whichever is less. Further, in terms of Section 19(3) of the Banking Regulation Act, banks should not hold shares, whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the bank is in any manner concerned or interested.

The Reserve Bank of India guidelines on capital market exposures stipulate that a bank's exposure to capital markets in all forms (both fund based and non-fund based) by way of investments in shares, convertible bonds/debentures, units of equity oriented mutual funds, loans against shares, and secured and unsecured advances to stock brokers, should not exceed 40.0% of its net worth on both a stand-alone and consolidated basis as of March 31 of the previous year. Within this overall limit, direct investments in shares, convertible bonds/debentures, and units of equity oriented mutual funds and all exposures to venture capital funds have been restricted to 20.0% of their net worth on both a stand-alone and consolidated basis. Further, in July 2011, the Reserve Bank of India stipulated that a bank’s investments in liquid schemes of debt oriented mutual funds are subject to a prudential cap of 10.0% of the bank’s net worth as of March 31 of the previous year. The above guidelines are also applicable at a consolidated level.

Investment by banks in specified instruments which are issued by other banks or financial institutions and are eligible for capital status for the investee bank/financial institution should not exceed 10.0% of the investing bank’s capital funds. Further, the banks/financial institutions should not acquire any fresh stake in a bank’s equity shares, if by such acquisition, the investing bank’s or financial institution’s holding exceeds 5.0% of the investee bank’s equity capital. The guideline earlier required banks to obtain prior approval of the Reserve Bank of India for equity investment in a company engaged in the financial sector which was revised in September 2015 and the requirement for Reserve Bank of India’s approval was removed subject to prescribed conditions.

The Reserve Bank of India has issued detailed guidelines on investments by banks in non-statutory liquidity ratio securities. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-statutory liquidity ratio securities with an original maturity of less than one year, other than commercial paper, certificates of deposits and certain non-convertible debentures with original or initial maturity of up to one year issued by corporations and non-banking finance companies. Banks are also prohibited from investing in unrated securities. A bank’s investment in unlisted non-statutory liquidity ratio securities may not exceed 10.0% of its total investment in non-statutory liquidity ratio securities at the end of the preceding fiscal year. However, the bank’s investments in unlisted non-statutory liquidity ratio securities may exceed the 10.0% limit by an additional 10.0%, provided the investment is in securitization papers issued for infrastructure projects and bonds/debentures issued by securitization companies and reconstruction companies set up under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and registered with the Reserve Bank of India. In December 2007, the Reserve Bank of India permitted banks to invest in unrated bonds of corporations engaged in infrastructure activities within the ceiling of 10.0% for unlisted non-statutory liquidity ratio securities in order to encourage flow of credit to the infrastructure sector.

In July 2014, banks were allowed to issue long-term bonds for financing infrastructure projects and low-cost housing. Banks were not allowed to invest in the bonds issued by other banks. In June 2015, however, the Reserve Bank of India permitted banks to invest in bonds issued by other banks. These investments are subject to certain conditions including (i) investments in these bonds are not considered for the purpose of calculation of net demand and time liabilities, (ii) they are not held under the held-to-maturity category, (iii) a bank’s investment in these bonds cannot exceed 2.0% of its Tier 1 capital or 5.0% of the issue size, and (iv) an investing bank's aggregate holding in such bonds will be capped at 10.0% of its total non-statutory liquidity ratio investments .

In November 2016, the Reserve Bank of India allowed banks to raise funds through issuance of rupee denominated bonds overseas. Banks have been permitted to issue perpetual debt instruments that can qualify for inclusion as additional tier 1 capital and debt capital instruments that can qualify for inclusion as tier 2 capital, by way of rupee denominated bonds in the overseas market, if it is reserved for financing infrastructure and affordable housing projects.

In April 2017, the Reserve Bank of India permitted banks to participate in Real Estate Investment Trusts and Infrastructure Investment Trusts within the overall ceiling of 20.0% of a bank's net worth permitted for direct investments in shares, convertible bonds/debentures, units of equity-oriented mutual funds and exposures to venture capital funds.

Further, the total investment by banks in liquid or short-term debt schemes of mutual funds with weighted average maturity of portfolio of not more than one year is subject to a prudential cap of 10.0% of their net worth as on March 31 of the previous year.

A 125.0% risk weight is assigned to all capital market exposures.

Banks' Investment Classification and Valuation Norms

The key features of the Reserve Bank of India guidelines on categorization and valuation of banks' investment portfolio are given below.

- The entire investment portfolio is required to be classified under three categories: (a) held-to-maturity, (b) held-for-trading and (c) available-for-sale. Held-to-maturity includes securities so classified in accordance with the Reserve Bank of India guidelines; held-for-trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available-for-sale includes securities not included in held-to-maturity and held-for-trading. Banks should decide the category of investment at the time of acquisition.

The held-to-maturity category can include statutory liquidity ratio securities up to a specified percentage of the demand and time liabilities and certain non-statutory liquidity ratio securities, including fresh recapitalization bonds received from the government of India towards recapitalization requirement and held in the investment portfolio, investment in the equity of subsidiaries and joint ventures and investment in long-term bonds (with a minimum residual maturity of seven years) issued by companies engaged in infrastructure activities. The minimum residual maturity of seven years should be at the time of investment in these bonds. Once invested, banks may continue to classify these investments under the held-to-maturity category even if the residual maturity falls below seven years subsequently. However banks' investments in long term bonds issued by other banks for their financing of infrastructure and affordable housing loans are not to be held in the held-to-maturity category. The level of government securities portfolio permitted to be included in the held-to-maturity category has been consistently reduced from 25.0% in 2013 to at the current ceiling of 20.0% since June 2017. To align the ceiling on statutory liquidity ratio holdings under the held-to-maturity category with the regulatory requirement of statutory liquidity ratio, in December 2015 the Reserve Bank of India advised that banks are permitted to exceed the limit of 25.0% of total investments under the held-to-maturity category provided that the excess is comprised of statutory liquidity ratio securities. The Reserve Bank of India has been consistently reducing the proportion of total statutory liquidity ratio in the held-to-maturity category.

- Profit or loss on the sale of investments in both held-for-trading and available-for-sale categories are taken in the income statement. Profit on the sale of investments in the held-to-maturity category, net of tax and statutory reserve, is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement.

- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the Reserve Bank of India price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available-for-sale and held-for-trading securities.

- Investments under the held-for-trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available-for-sale category.

- Investments may be shifted from or to held-to-maturity with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from available-for-sale to held-for-trading may be done with the approval of the board of directors, the Asset Liability Management Committee or the Investment Committee; shifting from held-for-trading to available-for-sale is generally not permitted. Since August 2010, the Reserve Bank of India has mandated that, with regard to sales and transfers of securities from or to the held-to-maturity category, if the value of sales exceeds 5.0% of the book value of the investment held in the held-to-maturity category at the beginning of the year, the market value of the investment will have to be disclosed in the notes to the financial accounts in the annual report along with the excess book value over market value for which a provision was not made.

Held-to-maturity securities need not be marked to market and are carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortized over the period remaining to maturity. Investments under available-for-sale category are marked to market at quarterly intervals or at more frequent intervals and held-for-trading securities valued at market at monthly intervals or at more frequent intervals and provided for as in the case of those in the available for sale category. Depreciation or appreciation for each basket within the available-for-sale and held-for-trading categories is aggregated. Net appreciation in each basket, if any, which is not realized, is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of: (a) the redemption value of the security receipts or pass through certificates; and (b) the net book value (defined as book value less provisions held) of the financial asset. However, if the instrument issued by securitization/asset reconstruction companies is limited to the actual realization of the financial asset assigned to the instrument, the net asset value should be obtained from the securitization/asset reconstruction companies for valuation of the investments.

On December 19, 2013, the Reserve Bank of India issued guidelines permitting banks to participate in interest rate futures for the dual purpose of hedging the risk in the underlying investment portfolio and to take a trading position. However, banks are not allowed to undertake transactions in interest rate futures on behalf of their clients.

Limit on Transactions through Individual Brokers

Guidelines issued by the Reserve Bank of India require banks to appoint brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank’s business should not be transacted only through one broker or a few brokers. If for any reason this limit is breached, the Reserve Bank of India has stipulated that the board of directors of the bank should be informed on a half yearly basis of such occurrence and ratify such action.

Prohibition on Short-Selling

The Reserve Bank of India permits scheduled commercial banks and primary dealers to undertake short sale of central government dated securities, subject to the short position being covered within a maximum period of three months. The short positions have to be covered only by outright purchase of an equivalent amount of the same security. The Reserve Bank of India has permitted banks to sell government securities already contracted for purchase, provided that the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited, or the security is contracted for purchase from the Reserve Bank of India. Each security is deliverable or receivable on a net basis for a particular settlement cycle. The Reserve Bank of India has also permitted a “when issued” market in government securities in order to further strengthen the debt management framework.

In February 2015, Reserve Bank of India permitted re-repo of government securities, including state development loans and treasury bills, acquired under reverse repo subject to prescribed conditions. In May 2016, the Reserve Bank of India also permitted re-repo of securities received under its Liquidity Adjustment Facility with market participants.

Introduction of Credit Default Swaps for Corporate Bonds

In fiscal 2012, the Reserve Bank of India introduced credit default swaps on corporate bonds. Banks are allowed to undertake such transactions, both as market makers as well as users. Commercial banks are eligible to act as market makers provided they fulfill the criteria of a minimum 11.0% capital adequacy ratio with a Tier 1 ratio of at least 7.0%, and a net non-performing assets ratio of less than 3.0%. Banks' net credit exposures on account of credit default swaps cannot exceed 10.0% of the investment portfolio of unlisted/unrated bonds.

Credit default swaps were earlier allowed only on listed corporate bonds and unlisted but rated bonds of infrastructure companies. In January 2013, this was expanded to include unlisted but rated corporate bonds. Further, credit default swaps were permitted on securities with original maturities of up to one year such as commercial papers, certificates of deposit, and non-convertible debentures with original maturities of less than one year.

Subsidiaries and Other Financial and Non-Financial Sector Investments

Banks need prior permission of the Reserve Bank of India to incorporate a subsidiary. Banks are required to maintain an "arms' length" relationship with our subsidiaries and with mutual funds sponsored by us in regard to business parameters such as not taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary or financing our clients through them when we are not able or not permitted to do so ourselves. We have to observe the prudential norms stipulated by the Reserve Bank of India, from time to time, in respect of our underwriting commitments. Pursuant to such prudential norms, our underwriting or the underwriting commitment of our subsidiaries under any single obligation shall not exceed 15.0% of an issue.

Under the Reserve Bank of India guidelines, a bank's equity investments in a subsidiary company, or a financial services company (including a financial institution, a stock or other exchange or a depository) which is not a subsidiary, should not exceed 10.0% of the bank's paid-up share capital and reserves and the total investments made in all subsidiaries and all non-subsidiary financial services companies should not exceed 20.0% of the bank's paid-up share capital and reserves. However, the cap of 20.0% does not apply, nor is the prior approval of the Reserve Bank of India required, if investments in financial services companies are held under the "held-for-trading" category, and are not held beyond 90 days. Investments in overseas banking subsidiaries is excluded from this 20.0% limit.

In September 2015, the Reserve Bank of India advised that banks which have a capital adequacy ratio of 10.0% or more and have also made net profits as of March 31 of the previous year need not approach the Reserve Bank of India for prior approval for equity investments in financial service companies where after such investment, the holding of the bank remains less than 10.0% of the investee company's paid-up capital, and the holding of the bank, along with its subsidiaries or joint ventures or entities, continues to remain less than 20.0% of the investee company's paid-up capital.

Under the Reserve Bank of India regulations, a bank's equity investments in companies engaged in non-financial services activities are subject to a limit of 10.0% of the investee company's paid-up share capital or 10.0% of the bank's paid-up share capital and reserves, whichever is less. For the purpose of this limit, equity investments held under the "held-for-trading" category are included. Investments within these limits would not require prior approval of the Reserve Bank of India. Equity investments in any non-financial services company held by a bank, or entities which are bank's subsidiaries, associates or joint ventures, and mutual funds managed by asset management companies controlled by the bank should in the aggregate not exceed 20% of the investee company's paid-up share capital. Any investment by a bank in excess of 10.0% of the investee company's paid-up share capital, but not exceeding 30.0%, requires the approval of the Reserve Bank of India.

A bank may hold equity in excess of 10.0% of a non-financial services investee company's paid-up capital without the prior approval of the Reserve Bank of India if the additional acquisition is made through a restructuring of debt or corporate debt restructuring, strategic debt restructuring or is acquired by the bank in order to protect its interest on loans/investments made in a company. However, banks have to submit to the Reserve Bank of India a time bound action plan for disposal of such shares within a specified period.

Regulations Relating to Securitization of Loans

In February 2006, the Reserve Bank of India issued guidelines on securitization of standard assets by banks and financial institutions. With a view to developing an orderly and healthy securitization market, and ensuring alignment of originators and investors' interests, the Reserve Bank of India issued guidelines on securitization in May 2012. Under the guidelines, all on-balance sheet standard assets are eligible for securitization, except for revolving credit facilities, mortgage backed securities, asset backed securities and loans with bullet repayment of both principal and interest (other than specifically permitted). Loans must also meet a minimum holding period requirement, based on the tenor and repayment frequency of the loan, in order to be eligible for securitization. A minimum retention requirement is prescribed to ensure that the originating banks have a continuing stake in the performance of the securitized assets. The total exposure of banks to the securitized loans cannot exceed 20.0% of the total securitized instruments, and any exposure in excess of this limit must be risk-weighted at 1,250%.

Regulations Relating to Deposits

The Reserve Bank of India has permitted banks to independently determine interest rates offered on term deposits. However, banks cannot pay interest on current account deposits. Interest rates payable on savings deposits were regulated until October 2011. In October 2011, the Reserve Bank of India deregulated the savings account interest rate, allowing a uniform interest rate to be paid on deposits up to Rs. 100,000 and permitting differential rates for deposits of over Rs. 100,000, depending on the amount in the account.

The Reserve Bank of India guidelines require that payment of interest be calculated on saving bank account deposits on the basis of daily average balances.

Domestic time deposits and rupee-denominated non-resident ordinary accounts have a minimum maturity of seven days. Rupee denominated non-resident rupee accounts have a minimum maturity of one year. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of five years.

Banks are allowed to offer differential rates of interests on domestic deposits of the same maturity subject to the following conditions:

- time deposits are of Rs. 10.0 million and above; and
- interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

In April 2015, the Reserve Bank of India allowed banks to introduce the feature of early withdrawal facility in a term deposit as a distinguishing feature for offering differential rates of interest. All term deposits of individuals of Rs. 1.5 million and below should, necessarily, have premature withdrawal facility. For all other term deposits, customers should be given the option to choose between term deposits either with or without premature withdrawal facility. Banks will be required to disclose in advance the schedule of interest rates payable on deposits.

Interest rates on non-resident foreign currency term deposits of one to three years and three to five years are linked to the LIBOR/SWAP rates for the U.S. dollar of corresponding maturity. The rate is periodically prescribed by the Reserve Bank of India. With effect from March 1, 2014, interest rates on FCNR (B) deposits of tenor one to three years was fixed at LIBOR/SWAP plus 200 basis points and interest rate for deposits of tenor three years to five years was fixed at LIBOR/SWAP plus 300 basis points. Interest rates on non-resident rupee savings deposits are set at the rate applicable to domestic savings deposits. Since fiscal 2012, banks are free to determine the interest rates on non-resident (external) rupee deposits and ordinary non-resident accounts. However, the interest rates cannot exceed the rate offered by the bank on comparable domestic rupee deposits. In September 2013, the Reserve Bank of India removed the ceiling on interest rates for non-resident (external) rupee deposits of three years and above till February 28, 2014. Effective March 1, 2014, the interest rates offered on FCNR (B) deposits of tenor three to five years were re-instated to the ceiling of LIBOR/SWAP plus 300 basis points as against the exceptional rate of LIBOR/SWAP plus 400 basis points permitted from August 2013 to February 2014. Also, interest rates of non-resident (external) rupee deposits was capped to comparable domestic rupee deposits as compared to the earlier deregulation of interest rates permitted from August 2013 to February 2014. The ceiling on ordinary non-resident accounts however continued.

In September 2013, the Reserve Bank of India introduced a swap facility for incremental foreign currency deposits. This was set up with the intent to increase the flow of foreign currency funds into the country considering the sharp depreciation in the rupee. This facility was only for deposits in foreign currency non-resident (bank) deposit accounts, and was available only in U.S. dollars. The tenor of the swap was fixed at three years and above. A bank could avail the swap facility only once a week, with the maximum amount of U.S. dollars eligible for swap equal to the foreign currency deposits mobilized in the preceding week. The swap facility was made available only for a fixed period from

September 10, 2013 to November 30, 2013. In another step taken by the Reserve Bank of India, effective from July 26, 2013, incremental foreign currency non-resident deposits and non-resident rupee deposits having a maturity of three years and above were exempted from cash reserve ratio and statutory liquidity ratio requirements. This benefit was withdrawn for deposits received from March 8, 2014 onwards. The three-year deposits raised by banks under the swap facility matured in fiscal 2017.

With a view to increasing the availability of financial services across regions and population segments, the Reserve Bank of India has advised banks to make available a basic savings bank deposit account without having the requirement of any minimum balance.

Regulations Relating to Customer Service & Customer Protection

Enhancing customer service and customer protection is a focus area for the Reserve Bank of India which has regularly emphasized on offering efficient, fair and speedy customer service. In this regard, a committee was set up in fiscal 2010 to consider improvements in customer service in banks. Following the recommendations made by the committee, the Reserve Bank of India has issued several guidelines. In July 2013, banks were mandated to have a uniform pricing policy for all customers across all branches, irrespective of the branch in which the account was opened. Further, draft guidelines on wealth management and marketing services offered by banks were issued. According to the guidelines, wealth management services can be offered only through a subsidiary or a separately identifiable department or division in the bank in order to avoid conflict of interest. Further, banks need to take prior approval of the Reserve Bank of India for offering wealth management services. In May 2014, the Reserve Bank of India issued guidelines instructing banks to not charge foreclosure charges or pre-payment penalties on floating rate term loans sanctioned to individual borrowers. Further, banks are also not permitted to levy penal charges for non-maintenance of minimum balance in any in-operative accounts.

In November 2014, the Reserve Bank of India issued additional guidelines on levy of charges for non-maintenance of minimum balance in savings bank account. According to the guidelines, the penal charges should be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance as agreed upon at the time of opening an account. A suitable slab structure for recovery of charges may be finalized. Further, it should be ensured that balance in the savings account does not turn into negative balance solely on account of levy of charges for non-maintenance of minimum balance.

In December 2014, the Reserve Bank of India has issued a charter of customer rights, which provides the broad overarching principles for protection of bank customers. The charter describes five basic rights of bank customers which are the right to fair treatment, right to transparency, fair and honest dealing, right to suitability, right to privacy and right to grievance redressal and compensation.

The Reserve Bank of India has issued procedural guidelines for redressal of grievances by the internal ombudsman. According to the guidelines, a bank shall examine the grievances as per its internal grievance redressal mechanism and in case the bank decides to reject a complaint and/or decides to provide only partial relief to the complainant, it should invariably forward such cases to the chief customer service officer/internal ombudsman for further examination. Cases where the bank disagrees with the decision of the internal ombudsman should be reported to the Reserve Bank of India by the internal ombudsman and also the bank with a copy to the respective Banking Ombudsman.

Deposit Insurance

Demand and time deposits of up to Rs. 100,000 accepted by Indian banks have to be insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the Reserve Bank of India. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer. Under the new Companies Act, 2013, deposit insurance has been made mandatory for companies accepting deposits. In September 2015, the Reserve Bank of India released the Report of the Committee on Differential Premium System for Banks in India, proposing the introduction of risk-based premium in India.

The Depositor Education and Awareness Fund (DEAF) Scheme, 2014 — section 26A of Banking Regulation Act, 1949

The Reserve Bank of India has advised that banks shall calculate the cumulative balances in all eligible accounts which are unclaimed for more than 10 years along with interest accrued, as on the day prior to May 23, 2014, and such amounts due should be transferred to the Fund on June 30, 2014 (before the close of banking hours). Subsequently, the amount due in each calendar month shall be transferred on the last working day of the subsequent month.

Withdrawal of Specified Bank Notes

In November 2016, the government of India decided to withdraw legal tender status for high denomination currency notes of Rs. 500 and Rs. 1,000. During the transition period, where banks were centers for exchanging old notes and also had to recalibrate their ATMs for the new Rs. 2,000 notes, the Reserve Bank of India issued several guidelines with regard to limits on exchange of the denotified currency notes and cash withdrawal limits from ATMs and bank accounts. Banks also proactively initiated steps like waiving merchant discount rates and transaction related charges during this period. In order to facilitate wider acceptance of digital transactions, temporary measures were introduced such as a reduction in the merchant discount rate for debit card transactions up to Rs. 2,000 and waiver of charges on transactions settled on payment channels like immediate payment service (IMPS), unstructured supplementary service data (USSD) based *99# and unified payment interface systems for transactions up to Rs. 1,000. These measures were effective from January 1, 2017 to March 31, 2017.

Regulations Relating to Knowing the Customer and Anti-Money Laundering

The Prevention of Money Laundering Act, 2002, which came into effect beginning July 2005, seeks to prevent and criminalize money laundering and terrorist financing. It also provides for the freezing and confiscation of assets concerned in money laundering/terrorism offences, and the formation of the Financial Intelligence Unit. This Act lays down the obligations on designated entities (including banks and financial institutions) for maintaining records of prescribed transactions and for reporting certain transactions to the Financial Intelligence Unit. It also lists out the predicate offences that come under the purview of the Act, the appointment of the Designated Director and the Principal Officer and their respective obligations under the Act. Prevention of Money-Laundering Rules have also been framed under such Act. This Act and such Rules have since been amended from time to time.

In June 2017, the Ministry of Finance (Department of Revenue) has notified amendments to the Prevention of Money Laundering Rules, 2005. These amendments now require banks to obtain the Aadhaar number (the unique identification number provided by the government of India) from resident individuals (including authorized signatories of non-individual accounts), along with their Permanent Account Number (the unique identification number required for filing income tax returns). New individual customers have been provided a time period of six months from the date of commencement of an account based relationship, whereas existing individual customers have been provided time until December 31, 2017 to submit their Aadhaar and Permanent Account numbers, failing which their accounts shall cease to be operational until the time the documents are submitted to the bank. However, guidelines from the Reserve Bank of India have yet to be released in this regard.

The Reserve Bank of India has prescribed guidelines to be observed by banks/financial institutions under its jurisdiction with regard to know your customer, anti-money laundering and combating financing of terrorism procedures in line with the provisions of the Prevention of Money Laundering Act 2002 and Rules notified there under. This is in line with the recommendations made by the Financial Action Task Force on Anti-Money Laundering standards and on Combating Financing of Terrorism. The objective of these guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The guidelines cover key aspects including customer acceptance policy, customer identification procedures, monitoring of transactions and risk management. The guidelines also cover enhanced due diligence measures, regulatory reporting as per the Prevention of Money Laundering Act, appointment of designated director and a senior official as principal officer, training of employees and independent audit of anti-money laundering/know your customer framework and provision for simplified know your customer procedures for opening small accounts.

Regulations on Asset Liability Management

The Reserve Bank of India's regulations for asset liability management require banks to draw up asset liability gap statements separately for rupee and foreign currencies for the domestic and overseas operations of the bank. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. The statements are submitted to the Reserve Bank of India on a periodic basis. The Reserve Bank of India has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being repriced in a particular period and to place internal prudential limits on the gaps in each time period, as a risk control mechanism.

According to Reserve Bank of India guidelines regarding prudential limits for inter-bank liabilities, a bank's inter-bank liabilities cannot exceed 200.0% of its net worth as on the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However, banks whose capital to risk assets ratio is at least 25.0% more than the minimum capital to risk assets ratio (currently 9.0%), i.e., 11.25% as on the last day of the previous fiscal year, are allowed a higher limit with respect to inter-bank liability of up to 300.0% of their net worth. The limits prescribed include only fund-based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India), and inter-bank liabilities outside India are excluded. The Reserve Bank of India guidelines also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit. At present, on a daily average basis, call/notice money borrowings should not exceed 100% of bank's capital funds. However, banks are allowed to borrow a maximum of 125.0% of their capital funds on any day during a fortnight.

The Reserve Bank of India has issued guidelines on duration gap analysis for interest rate risk management. The guidelines are aimed at providing an indication of the interest rate risk to which the bank is exposed. The report on interest rate sensitivity as per duration gap analysis is being submitted on a quarterly basis since June 30, 2011 and on a monthly basis since April 30, 2012.

In November 2012, the Reserve Bank of India consolidated the various instructions and guidelines on liquidity risk management issued from time to time in the past. Instructions and guidelines were enhanced in line with the Basel Committee on Banking Supervision Principles for Sound Liquidity Risk Management and Supervision. The guideline includes enhanced guidance on liquidity risk governance, measurement, monitoring and the reporting to the Reserve Bank of India on liquidity positions.

Foreign Currency Dealership

The Reserve Bank of India has granted us a full-fledged authorized dealers' license to deal in foreign exchange through our designated branches. Under this license, we have been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and rupee denominated deposits from non-resident Indians;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits;
- grant import and export loans;
- handle collection of bills, funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to our normal functions authorized under our organizational documents and as permitted under the provisions of the Banking Regulation Act.

Further, we have been permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions. Banks in the authorized dealer category may become trading or clearing members of the currency derivatives segment to be set up by stock exchanges recognized by the Securities and Exchange Board of India, subject to their fulfilling the requirements of (i) minimum net worth of Rs. 5.0 billion, (ii) minimum capital adequacy ratio of 10.0%, (iii) net non-performing assets not exceeding 3.0% and (iv) net profit for the previous three years.

Our foreign exchange operations are subject to the guidelines specified by the Reserve Bank of India in the exchange control manual. As an authorized dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India. We are also among banks that submit data to regulatory authorities/bodies for the setting of financial benchmarks wherever we are nominated. In April 2014, the Reserve Bank of India issued guidelines recommending measures to strengthen the quality, methodology and the governance framework with respect to financial benchmarks. This was based on recommendations submitted by the committee on financial benchmarks. According to the guidelines, banks submitting data would have to implement an internal board approved policy on governance of the benchmark submission process and periodically submit a confirmation on compliance with the guidelines. Further, it was proposed that an independent company be set up for the administration of benchmarks. In July 2015, the Financial Benchmarks India Private Limited was set up which would administer the overnight inter-bank rate and which would be based on the actual traded rate every morning. Over a period, it is also proposed to administer foreign exchange benchmarks and rupee interest rate benchmarks.

Authorized dealers, like us, are required to determine our limits on open positions and maturity gaps in accordance with the Reserve Bank of India guidelines and these limits are approved by the Reserve Bank of India.

Gold monetization scheme and Sovereign gold bonds

In October 2015, the Reserve Bank of India issued guidelines on gold monetization scheme where banks are allowed to mobilize gold deposits and provide loans against these deposits. The minimum deposit under the gold deposit scheme at any one time is 30 grams of raw gold with short term bank deposits allowed for a minimum of 1-3 years, and treated as on-balance sheet liability and medium term deposits of 5-7 years and long term of 12-15 years. The medium and long term deposits will be the liability of the central government. The redemption of medium and long-term deposits, at the option of the depositor, can be either in Indian rupee equivalent of the value of deposited gold or in gold itself.

The Reserve Bank of India also issued guidelines on sovereign gold bonds with investments in such bonds being eligible for statutory liquidity ratio calculations. The bonds could also be used as collateral for loans.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

Foreign exchange and cross-border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. Banks are required to monitor transactions of customers based on pre-defined rules using a risk-based approach. The transaction monitoring system envisages identification of unusual transactions, undertaking due diligence on such transactions and, if confirmed as suspicious, reporting to the financial intelligence unit of the respective jurisdiction. Our transaction monitoring system is periodically reviewed and is being supplemented with appropriate anti-money laundering software technology solutions.

The Reserve Bank of India issues guidelines on external commercial borrowings and trade credits from time to time. Consolidated guidelines relating to external commercial borrowings are covered by the Reserve Bank of India in its Master Direction on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorized Dealers and Persons other than Authorized Dealers and its Master Direction on Reporting under Foreign Exchange Management Act, 1999, as amended. The guidelines do not permit financial intermediaries, including banks, to raise such borrowings or provide guarantees in favor of overseas lenders for such borrowings. Eligible borrowers, which are largely corporations, may raise such borrowings for investments such as the import of capital goods, in new and expansion projects, and also to meet foreign exchange needs of the infrastructure sector. The external commercial borrowing proceeds can also be utilized for overseas direct investment in joint ventures and wholly owned subsidiaries subject to the existing guidelines on Indian Direct Investment in joint ventures and wholly owned subsidiaries abroad. Utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments or acquisitions in India or real estate investments (including integrated townships).

In September 2015, the Reserve Bank of India allowed Indian resident borrowers to raise trade credit in Rupees after entering into a loan agreement with the overseas lender, subject to certain conditions. Further, overseas lenders of Rupee denominated trade credits are now eligible to hedge their exposure in Rupees through permitted derivative products in the on-shore market.

Borrowers are permitted to raise external commercial borrowings for the purpose of refinancing an existing external commercial borrowing. This is however not permissible for overseas branches/subsidiaries of Indian banks.

The Reserve Bank of India issued a revised external commercial borrowing framework in November 2015. Key features of the revised framework include fewer restrictions on the end-use of external commercial borrowings, a liberal approach for Indian rupee denominated borrowings where the currency risk is borne by the lender, an expanded list of overseas lenders to include sovereign wealth funds, pension funds and insurance companies, and an enhanced limit for small value external commercial borrowings with minimum average maturity of three years from US$20 million to US$50 million. The framework comprises of three components: 1) medium-term foreign currency borrowings with minimum average maturity of three to five years termed as track I; 2) long-term foreign currency borrowings with minimum average maturity of 10 years termed as track II and 3) Indian rupee denominated borrowings with minimum average maturity of three to five years termed as track III. Lending by overseas branches and subsidiaries of Indian banks is permitted only for medium term borrowings (track I). The all-in-cost ceiling is LIBOR plus 300 basis points for borrowings with an average maturity period of three to five years and LIBOR plus 450 basis points for borrowings with average maturity of over five years under track I. Under track II, the all-in-cost ceiling is a maximum spread of 500 basis points over the benchmark, and under track III the cost should be in line with market conditions. Companies in the infrastructure sector, non-banking financial companies - infrastructure finance companies, non-banking finance companies-asset finance companies, holding companies and core investment companies will also be eligible to raise external commercial borrowings under track I of the framework with minimum average maturity period of five years, subject to 100% hedging.

In September 2015, the Reserve Bank of India issued guidelines on issuance of rupee-linked bonds in overseas markets. As per the guidelines, Indian companies eligible to raise external commercial borrowings will be permitted to issue such bonds. Apart from companies, Real Estate Investment Trusts and Infrastructure Investment Trusts are also eligible to borrow under the guidelines. The bonds can be issued in jurisdictions which are Financial Action Task Force (FATF) compliant. The minimum maturity for these bonds would be five years and the only end use restrictions are a negative list of activities including purchase of land, capital market exposure and real estate.

In April 2016, the Reserve Bank of India issued a revised framework for issuance of rupee denominated bonds overseas by Indian corporations. The issuance of rupee denominated bonds overseas will be within the aggregate limit of foreign investment permitted in corporate debt as notified from time to time. As per current limits, the maximum amount that can be borrowed by an entity in a financial year under the automatic route by issuance of these bonds will be Rs. 50 billion. Proposals to borrow beyond Rs. 50 billion will require prior approval of the Reserve Bank of India. The rupee denominated bonds can only be issued in a specified country and can be subscribed by a resident of the specified country. The minimum maturity for these bonds is set at three years to align with the maturity guidelines on foreign investment in corporate bonds through the foreign portfolio investment route.

Foreign Currency Borrowings by Banks in India

The Reserve Bank of India has allowed banks to borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, external commercial borrowings and overdrafts from their head office/nostro account) up to a limit of 100.0% of unimpaired tier 1 capital or US$10 million, whichever is higher.

All the regulations and guidelines issued by the Reserve Bank of India, as amended from time to time, in connection with foreign currency borrowings by banks in India have been consolidated in the master circular on Risk Management and Inter-Bank Dealings. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches or correspondents abroad and also includes overseas borrowings in gold for funding domestic gold loans. Capital funds raised by issue of innovative perpetual debt instruments and other overseas borrowings with the specific approval of the Reserve Bank of India will continue to be outside the limit of 100.0% of unimpaired tier 1 capital. In July 2015, the Reserve Bank of India permitted banks to borrow from international/multilateral financial institutions without its prior approval.

Information Technology and Cyber Security

The Reserve Bank of India has issued guidelines in April 2011 on information security, electronic banking, technology risk management and cyber frauds. While the guidelines are not “one-size-fits-all”, the implementation of the guidelines need to be risk based and commensurate with the nature and scope of activities engaged by banks and the technology environment prevalent in the bank and the support rendered by technology to the business processes. The guidelines broadly cover nine subject areas relating to information technology viz. information technology governance, information security, IT operations, IT services outsourcing, information systems audit, cyber frauds, business continuity planning, customer education and legal issues. The implementation of the guidelines are to be monitored by the top management on an ongoing basis.

Further, the Reserve Bank of India has issued directions in June 2016 requiring banks to put in place a cyber-security policy containing an appropriate approach to combat cyber threats given the level of complexity of business and acceptable levels of risk. The cyber security policy should be separate and distinct from the broader IT policy and the aspects that need to be covered in the aforementioned strategy include an arrangement for continuous surveillance, comprehensive network and database security, protection of customer information, cyber crisis management plan, strengthening cyber security, organizational arrangements and awareness about cyber security among senior/top management.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the Reserve Bank of India. Following the enactment of the Reserve Bank of India (Amendment) Bill 2006, the floor and ceiling rates (earlier 3.0% and 20.0% respectively) on the cash reserve ratio were removed. The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- inter-bank liabilities;
- liabilities to primary dealers;
- refinancing from the Reserve Bank of India and other institutions permitted to offer refinancing to banks; and
- perpetual debt qualifying for lower Tier 1 capital treatment.

The cash reserve ratio was revised to 4% of a bank's demand and time liabilities adjusted for the exemptions which include (but are not limited to) (i) the paid up capital, reserves and credit balance of the bank; (ii) net income tax provision; (iii) amount received from Deposit Insurance and Credit Guarantee Corporation towards claims and held by banks pending adjustments; (iv) provision not being a specific liability arising from contracting additional liability and created from profit and loss account; and (v) demand and time liabilities in respect of their offshore banking units, effective from the fortnight beginning February 9, 2013.

The Reserve Bank of India does not pay any interest on cash reserve ratio balances. The cash reserve ratio has to be maintained on an average basis for a fortnightly period. In July 2013, the Reserve Bank of India increased the daily cash reserve requirement from a minimum of 70.0% of the required cash reserve ratio on any day of the fortnight to 99.0%, as part of measures to stabilize the movement in exchange rates. In September 2013, following stabilization in the movement in exchange rates, the daily minimum cash reserve requirement was reduced to 95.0%. In April 2016, the Reserve Bank of India reduced the requirement further to 90.0% from the fortnight beginning April 16, 2016.

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. In October 2015, the Reserve Bank of India also allowed investments in sovereign gold bonds be considered in the calculation of statutory liquidity ratio. During fiscal 2017, the statutory liquidity ratio was gradually reduced with a 25 basis point reduction each quarter from 21.5% to 21.25% effective April 2, 2016, further to 21.0% effective July 9, 2016, to 20.75% effective October 1, 2016 and 20.50% from January 7, 2017. In June 2017, the statutory liquidity ratio was further reduced to 20.0% effective June 24, 2017.

Liquidity Coverage Ratio

In June 2014, the Reserve Bank of India released guidelines implementing the Basel III Framework on Liquidity Standards— Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and Liquidity Coverage Ratio Disclosure Standards. According to the guidelines, banks have to maintain a minimum liquidity coverage ratio, which is a ratio of the stock of high quality liquid assets to total net cash outflows over the next 30 calendar days under certain prescribed stressed conditions. The liquidity coverage ratio is designed to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets to meet any acute liquidity requirements over a hypothetical stressed period lasting 30 days. These guidelines are applicable from January 1, 2015, starting with a minimum liquidity coverage ratio requirement of 60.0% and increasing in a phased manner to 100.0% effective from January 1, 2019.

As noted above, banks in India are already required, under Indian law and regulation, to maintain a statutory liquidity ratio at or above a prescribed percentage (currently 20.0%). The statutory liquidity ratio is calculated as the ratio of a bank’s liquid assets, such as cash, gold or approved unencumbered securities (“statutory liquidity ratio securities”), to its net demand and time liabilities. Statutory liquidity ratio securities include Indian central government securities as well as certain securities issued by Indian state governments. Further, as per guidelines issued on liquidity standards in November 2014, the Reserve Bank of India allows banks, under certain stressed conditions, to avail themselves of a special liquidity facility against certain securities classified as level one high quality liquid assets. The facility, called the Facility to Avail Liquidity for Liquidity Coverage Ratio, is operated by the Reserve Bank of India. Access to the facility is included in a bank's liquidity coverage ratio. Although the statutory liquidity ratio is not a part of the Basel III liquidity standards, a portion of a bank's statutory liquidity ratio securities may be recognized as high quality liquid assets under the Reserve Bank of India's liquidity coverage ratio guidelines.

The Reserve Bank of India permits banks to recognize as level one high quality liquid assets under the liquidity coverage ratio, statutory liquidity ratio securities having a value of up to (i) 2.0% of a bank's net demand and time liabilities, for securities eligible for availing liquidity under the Reserve Bank of India's Marginal Standing Facility; (ii) an additional 5.0% of a bank's net demand and time liabilities, for securities eligible for availing liquidity under the Reserve Bank of India's Facility to Avail Liquidity for Liquidity Coverage Ratio and (iii) 3.0% of net demand and time liabilities under the Facility to Avail Liquidity for Liquidity Coverage Ratio within the mandatory statutory liquidity ratio requirement, which was further increased to 4.0% in July 2016. Thus, a total of 11.0% of net demand and time liabilities comprising statutory liquidity ratio securities would be available for banks to recognize as level one high quality liquid assets. Statutory liquidity ratio securities include certain Indian state government securities that would also qualify as level one high quality liquid assets under the Reserve Bank of India guidelines, while the Basel III liquidity standards include only national sovereign securities. Banks in India generally hold a significant proportion of their statutory liquidity ratio securities in the form of investments in Indian central government securities which would qualify as level one high quality liquid assets under the Basel III standards.

From January 1, 2016 onwards, the liquidity coverage ratio standard, liquidity risk monitoring tools and liquidity coverage ratio disclosure standards are applicable to Indian banks on a consolidated basis.

Net Stable Funding Ratio

In May 2015, the Reserve Bank of India issued draft guidelines on the net stable funding ratio. The ratio promotes resilience over a longer term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. According to the guidelines, net stable funding ratio is defined as the amount of available stable funding relative to the amount of required stable funding. Banks will be required to maintain a ratio of at least 100.0% on an ongoing basis. These guidelines are expected to be applicable from January 1, 2018.

Ownership Restrictions

The government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like us, cannot exceed 74.0% of the paid-up capital, and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0% of the paid-up capital.

In February 2009, the government of India issued guidelines for calculation of total foreign investment, both direct and indirect, in Indian companies. Pursuant to this guideline, the foreign shareholding in an Indian company which is not majority-owned and controlled by Indian shareholders will be taken into account in computing the foreign shareholding in investee companies of such Indian company (other than investee companies in the insurance sector, for which there are separate specific regulations). Since foreign ownership up to 74.0% is permitted in Indian private sector banks, such as us, this would impact investments made by Indian private sector banks, including us, and their subsidiaries, in other companies. This would also require assessment of whether any of the Indian shareholders are to be reckoned for purposes of adherence to the foreign ownership limit of 74.0%. This does not, however, impact our investments in our subsidiaries.

In fiscal 2016, the government of India introduced a composite cap for foreign investments in Indian companies, including banks, thus merging the sub-limits in terms of direct investments and portfolio investments. The overall foreign ownership limit in banks continues to be 74.0%. Further, in May 2016, the Reserve Bank of India issued revised guidelines with regard to shareholding in private sector banks. As per the guidelines:

- individual and non-financial corporate entities can have a shareholding up to 10.0% in private sector banks;
- non-diversified unlisted financial institutions can hold up to 15.0%;
- well-diversified listed financial institutions including the government can hold up to 40.0%; and

- higher stake by promoters/non-promoters through capital infusion by domestic or foreign entities will require the approval of the Reserve Bank of India.

Voting rights are capped at 15.0%. However, any acquisition of shareholding/voting rights of 5.0% or more will require the prior approval of the Reserve Bank of India. See also *"Overview of the Indian Financial Sector—Structural Reforms—Report on Governance of Boards of Banks in India"*.

Holding Companies

In the annual policy review for fiscal 2011, the Reserve Bank of India announced the formation of a working group, with representatives from the government, various regulatory authorities and banks, to draw a roadmap for the introduction of a holding company structure. The report of the working group was released in May 2011 with key recommendations favoring a financial holding company structure for the financial sector, particularly large financial groups, with a separate regulatory framework for these holding companies.

The Reserve Bank of India, in its guidelines for new private sector banking licenses, has mandated all new banks pursuant to the issuance of such licenses, to be set up under a financial holding company structure. See also "*Overview of the Indian Financial Sector—Structural Reforms—Discussion Paper on Banking Structure*".

Restrictions on Payment of Dividends

The Banking Regulation Act requires banks to completely write off capitalized expenses and transfer 20.0% of the disclosed yearly profit to a reserve account before declaring a dividend.

Banks have to comply with the following prudential requirements to be eligible to declare dividends:

- The capital adequacy ratio is at least 9.0% for the preceding two completed years and the accounting year for which the bank proposes to declare a dividend.
- The net non-performing asset ratio is less than 7.0%.
- The Bank is in compliance with the prevailing regulations and guidelines issued by the Reserve Bank of India, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits

to statutory reserves, etc.

- The proposed dividend will be paid out of the current year's profit.

- Under the Reserve Bank of India's Basel III guidelines, banks are subject to higher minimum capital requirements and must maintain a capital conservation buffer above the minimum requirements to avoid restrictions on capital distribution. The capital conservation buffer would be implemented in a phased manner beginning from March 31, 2016 and fully implemented by March 31, 2019 as prescribed by the Reserve Bank of India. The Reserve Bank of India has clarified that dividend payment by banks would be governed by the application of the above guidelines, once the capital conservation framework is in effect. In case a bank does not meet the capital adequacy norms for two consecutive years, but has a capital adequacy ratio of at least 9.0% for the accounting year for which it proposes to declare a dividend, it would be eligible to do so if its net non-performing asset ratio is less than 5.0%. Banks that are eligible to declare dividends under the above rules can do so subject to the following:

- The dividend payout ratio (calculated as a percentage of dividend payable in a year to net profit during the year) must not exceed 40.0%. The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non-performing asset ratio. Banks should have a minimum capital adequacy ratio of 9.0% for three consecutive years (including the accounting year for which it proposes to declare dividend) and a net non-performing assets ratio of less than 7.0% to be eligible to declare dividends. A bank with a net non-performing assets ratio of less than 3.0% can declare a dividend of up to 35.0% if its capital adequacy ratio for three years is 11.0% or above, a dividend of 30.0% if its capital adequacy ratio is 10.0% or more and up to 25.0% if its capital adequacy ratio is 9.0% or above. A bank with a net non-performing assets ratio between 3.0% and 5.0% can declare a dividend of up to 25.0%, 20.0% and 15.0% against the three year capital adequacy ratio of 11.0%, 10.0% and 9.0% respectively. Similarly,

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a bank with a net non-performing assets ratio between 5.0% and 7.0% can declare a dividend of up to 15.0%, 10.0% and 5.0% against the three year capital adequacy ratios of 11.0%, 10.0% and 9.0% respectively.

- In case the profit for the relevant period includes any extraordinary income, the payout ratio must be calculated after excluding that income for compliance with the prudential payout ratio.

- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualification by the statutory auditors, which might have an adverse effect on the profit during that year. In case there are any such qualifications, the net profit should be suitably adjusted while computing the dividend payout ratio.

Moratorium, Reconstruction and Amalgamation of Banks

The Reserve Bank of India can apply to the government of India for suspension of business by a banking company. The government of India, after considering the application of the Reserve Bank of India, may order a moratorium staying commencement of action or proceedings against such company for a maximum period of six months. During such period of moratorium, the Reserve Bank of India may: (a) in the public interest; (b) in the interest of the depositors; (c) in order to secure the proper management of the bank; or (d) in the interests of the banking system of the country as a whole, prepare a scheme for the reconstruction of the bank or merger of the bank with any other bank. In circumstances entailing reconstruction of the bank or merger of the bank with another bank, the Reserve Bank of India invites suggestions and objections on the draft scheme prior to placing the scheme before the government of India for its approval. The central government may approve the scheme with or without modifications. The law does not require consent of the shareholders or creditors of such banks. The Reserve Bank of India has consolidated all regulations relating to amalgamation of private sector banks in the Master Direction - Amalgamation of Private Sector Banks, Directions, 2016.

Regulations on Amalgamation between Private Sector Banks and between Banks and Non-banking Finance Companies

In April 2016, the Reserve Bank of India issued revised guidelines on amalgamation between private sector banks and between banks and non-banking finance companies. The guidelines particularly emphasize the examination of the rationale for mergers, the systemic benefits arising from it and the advantages accruing to the merged entity. With respect to a merger between two private sector banks, the guidelines require the draft scheme of merger to be approved by the shareholders of both banks with a two-thirds majority after approval by the boards of directors of the two banks concerned. The draft scheme should also consider the impact of the merger on the valuation, profitability and capital adequacy ratio of the amalgamating bank and verify that the reconstituted board conforms to the Reserve Bank of India norms. The approved scheme needs to be submitted to the Reserve Bank of India for valuation and approval in accordance with the Banking Regulation Act, along with other documentation such as the draft document of proposed merger, copies of all relevant notices and certificates, swap ratio, share prices, etc. With respect to a merger of a bank and a non-banking company, where the non-banking company is proposed to be amalgamated with the bank, the banking company has to obtain the approval of the Reserve Bank of India after the scheme of amalgamation is approved by its Board and the Board of the non-banking finance company, but before it is submitted to the tribunal for approval. See also "*—Other Statutes—Competition Act*".

Credit Information Bureaus

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about individuals or groups who enjoy a credit relationship with it. Other credit institutions, credit information bureaus and such other persons as the Reserve Bank of India specifies may access such disclosed credit information. The Reserve Bank of India is also seeking to strengthen the coverage and use of credit information and had set up a committee in this regard. The committee submitted its recommendations in March 2014 and recommendations included standardized data formats, for furnishing of credit information to credit information companies, common classification of credit scores and best practices to be followed by credit information companies. In June 2014, some of the recommendations were accepted by the Reserve Bank of India and guidelines were issued in this respect. Recently, in June 2016, the Reserve Bank of India issued guidelines requiring banks to share information on investments in commercial papers and unhedged foreign currency exposures of borrowers to the credit information companies.

Financial Stability and Development Council and Financial Sector Legislative Reforms Commission

The Indian government set up an apex-level body called the Financial Stability and Development Council in fiscal 2011. This is an independent body that oversees regulation and strengthens mechanisms for maintaining financial stability. The institution monitors macro-prudential supervision of the economy and the functioning of large financial conglomerates addresses inter-regulatory coordination issues and focuses on financial literacy and financial inclusion activities. The government has also set up a Financial Sector Legislative Reforms Commission to review the financial sector laws and to bring them in line with the requirements of the sector. The commission submitted its report in March 2013 and has proposed an Indian Financial Code that consolidates different laws governing the financial sector. The framework incorporates components like consumer protection, regulation, capital controls, systemic risk and resolution. The Code also proposed the transition to a regulatory system where the Reserve Bank of India regulates the banking and payments system and of a Unified Financial Agency subsuming all other existing financial sector regulators like the Insurance Regulatory Development Authority of India and the Securities Exchange Board of India.

In August 2010, the parliament passed the Securities and Insurance Laws (Amendment and Validation) Bill, 2010, which provides a mechanism to settle disputes between regulators. A committee chaired by the Finance Minister, with the governor of the Reserve Bank of India as vice chairperson and chairpersons of the Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory of India and Development Authority and secretaries of the Department of Economic Affairs and Department of Financial Services would make the final decision on such disputes.

Resolution Regime for Financial Institutions

The Financial Stability and Development Council constituted a high level working group to consider the strengthening of the resolution regime for financial institutions. The working group submitted its report in May 2014. Some key recommendations of the group include setting up of an independent Financial Resolution Authority which would be responsible for implementation of the resolution framework in coordination with respective financial sector regulators. The financial resolution framework should be legally enforceable and extend to all financial institutions including banks, non-banks and financial conglomerates. The framework identifies a set of tools like liquidation, purchase and assumption, and bail-in which involve converting existing creditors into shareholders, temporary public ownership, etc. The resolution framework should avoid use of taxpayers' money and ensure imposition of losses to shareholders and unsecured creditors. In case of financial institutions under distress and deemed to be systemically important, the government taking control of the financial institution can be a last option for resolution when all other options fail. In the Union Budget for fiscal 2017, the government has indicated that a comprehensive Code on Resolution of Financial Firms will be introduced as a bill in Parliament during fiscal 2017. This code will provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance companies, and financial sector entities.

Prompt Corrective Action by the Reserve Bank of India

In December 2002, the Reserve Bank of India had issued guidelines with regard to structured action to be taken on banks that hit specified triggers in terms of capital adequacy ratio, net non-performing assets and return on assets. Structured actions by the Reserve Bank of India could include restriction on banks in increasing its risk-weighted assets, making dividend payments and expanding into new businesses.

The Reserve Bank of India revised the Prompt Corrective Action framework for banks effective from April 1, 2017. As per the revised guidelines, a bank may be placed under the framework at any point in time, if it is found to breach any of the parameters prescribed. The key criteria for invocation of the prompt correct action include (i) falling below a capital adequacy ratio of 10.25% and/or below a common equity tier 1 ratio of 6.75%, (ii) exceeding net non-performing asset ratio of 6.0%, (iii) negative return on assets for two consecutive years, or (iv) a leverage ratio of below 4.0%. Depending upon the extent of breach, the bank may be classified into three risk thresholds and will be accordingly restricted from business expansion and will be required to take mandatory action for resolution. A bank breaching the risk threshold where the common equity tier 1 falls below 3.625% could be considered for resolution through tools like amalgamation, reconstruction and winding-up.

Regulations Governing Use of Business Correspondents

To increase the outreach of banking and ensure greater financial inclusion, in January 2006 the Reserve Bank of India issued guidelines for the engagement of business correspondents by banks providing banking and financial services. Business correspondents are agents engaged by banks to provide banking services at locations other than a bank branch. Business correspondents offer a limited range of banking services at low cost, as setting up a brick and mortar branch may not be viable in all areas. Banks are required to take full responsibility for the acts of omission and commission of the business correspondents that they engage and to conduct due diligence for minimizing agency risks. When the business correspondent model was introduced in January 2006, the entities permitted to act as business correspondents included individuals such as retired bank employees, retired teachers, individual owners of small, independent grocery stores, medical and fair price shops and certain other individuals. The non-individual entities included non-government organizations or microfinance institutions set up under Societies/Trust Acts, societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, not-for-profit companies and post offices. From September 2010, banks are also allowed to engage companies with large and widespread retail outlets and registered under the Companies Act, excluding non-banking financial companies, as business correspondents in addition to the individuals/entities permitted earlier. In June 2014, the Reserve Bank of India also permitted non-deposit taking non-banking financial companies to be appointed as business correspondents. Further, with a view to scale up the business correspondent channel, the Reserve Bank of India has issued guidelines in April 2014 requiring the board of banks to review the operations and payment of remuneration to business correspondents at least once every six months. In its monetary policy statement announced in April 2016, the Reserve Bank of India has proposed to create a registry of business correspondents.

Regulations governing mobile banking

The Reserve Bank of India has permitted Indian banks to offer mobile banking services to their customers. These services are available only for Indian rupee based transactions in the domestic market. Transactions involving a debit to the customer's account should have a two level authentication to execute the transaction. In December 2014, the Reserve Bank of India issued guidelines requiring banks to provide easy registration for mobile banking services, including generation of the personal identification number (PIN) through multiple channels. In December 2015, the Reserve Bank of India required banks participating in the National Financial Switch to enable the capability of customer registration for mobile banking at all their ATMs by March 31, 2016.

Income Computation and Disclosure Standards

In March 2015, the Central Board of Direct Taxes notified the Income Computation and Disclosure Standards (ICDS) which provides guidelines for computation of taxable income. These guidelines are not for the purpose of maintaining our books of accounts. These guidelines are applicable to all taxpayers, including us, that follow the accrual system of accounting for the purpose of computation of income. In case there is a conflict between the provisions of the Income Tax Act, 1961 and the income computation and disclosure standards prescribed by the tax authority, the provisions of the Income Tax Act shall prevail. The broad areas covered by the guidelines issued by the tax authority include valuation of inventories, construction contracts, revenue recognition, tangible fixed assets, effects of changes in foreign exchange rates, government grants, securities, borrowing costs, contingent liabilities and assets, and relating to accounting policies. These guidelines were previously planned to come into effect from April 1, 2015, but the Central Board of Direct Taxes deferred the implementation of the Income Computation and Disclosure Standards to April 1, 2016.

Requirements of the Banking Regulation Act

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the Reserve Bank of India within 21 days, explaining the circumstances leading to such appropriation. The government of India may, on the recommendation of the Reserve Bank of India, exempt a bank from requirements relating to its reserve fund.

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. The Banking Regulation Act currently specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 15.0% of total voting rights of all the shareholders of the banking company.

In 2006, the Indian Parliament amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity. According to current provisions private sector banks in India are not permitted to issue preference shares. Legislation has been introduced in the Parliament to amend the Banking Regulation Act to allow all banks to issue redeemable and non-redeemable preference shares. Prior to the merger, ICICI had preference share capital of Rs. 3.5 billion redeemable in 2018. The government of India, on the recommendation of the Reserve Bank of India, had granted us an exemption which allowed the inclusion of preference capital in our capital structure until the maturity of these shares.

An amendment to the Banking Regulation Act in fiscal 2013 has increased the voting rights cap from 10.0% to 26.0% in a phased manner, subject to notification by the Reserve Bank of India. The Reserve Bank of India has notified a voting rights cap of 15.0%. See also "*Overview of the Indian Financial Sector—Structural Reforms—Amendments to the Banking Regulation Act*".

In November 2015, the Reserve Bank of India clarified that prior approval will be required for acquisition of shares or voting rights of 5.0% or more in private sector banks. Shareholders having 5.0% or more of the paid-up share capital of a private bank would have to give an annual declaration to the bank on their 'fit and proper' status. Approval of the Reserve Bank of India will not be required in case of fresh acquisitions by an existing major shareholder up to an aggregate holding of 10.0%.

Regulatory Reporting and Examination Procedures

The Reserve Bank of India is responsible for supervising the Indian banking system under various provisions of the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934. This responsibility is discharged by the Reserve Bank of India's Department of Banking Supervision for all scheduled commercial banks excluding regional rural banks. The supervision framework is evolving over a period of time and the Reserve Bank of India has been progressively moving in line with Basel 'Core Principles for Effective Banking Supervision'. The existing supervisory framework has been modified towards establishing a risk based supervision framework.

This framework is intended to make the supervisory process for banks more efficient and effective, with the Reserve Bank of India applying differentiated supervision to each bank based on its risk profile. A detailed qualitative and quantitative assessment of the bank's risk is conducted by the supervisor on an on-going basis and a Risk Assessment Report is issued by the Reserve Bank of India. The Reserve Bank of India has designated a senior supervisory manager for the banks under this framework who will be the single point of contact for a designated bank.

We have been subject to supervision under this framework since fiscal 2013. The risk assessment report, along with the report on actions taken by us, has to be placed before our Board of Directors. On approval by our Board of Directors, we are required to submit the report on actions taken by us to the Reserve Bank of India. The Reserve Bank of India also discusses the report with our management team, including the Managing Director and CEO. See also,

"-Loan Loss Provisions and Non-Performing Assets-Asset classification".

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

We are required to obtain prior approval of the Reserve Bank of India before we appoint our chairman, managing director and any other executive directors and fix their remuneration. The Reserve Bank of India is authorized to remove an appointee from the posts of chairman, managing director and other executive directors on the grounds of public interest, interest of depositors or to ensure our proper management. Further, the Reserve Bank of India may order meetings of our Board of Directors to discuss any matter in relation to us, appoint observers to such meetings and in general may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of our shareholders to elect new directors. We cannot appoint as a director any person who is a director of another banking company. The Reserve Bank of India has issued guidelines on "fit and proper" criteria for directors of banks. Our directors must satisfy the requirements of these guidelines.

On January 13, 2012, the Reserve Bank of India issued guidelines on the compensation of whole-time directors/chief executive officers/risk takers and control function staff of private sector and foreign banks operating in India. The guidelines include principles for effective governance of compensation, alignment of compensation with risk taking and effective supervisory oversight and engagement by stakeholders.

On June 1, 2015, the Reserve Bank of India issued guidelines on compensation of non-executive directors of private sector banks. According to the guidelines, the Board of Directors, in consultation with its remuneration committee, should formulate and adopt a comprehensive compensation policy for the non-executive directors (other than the part-time non-executive chairman). In the policy, the Board may provide for the payment of compensation in the form of a profit related commission, subject to the bank making profits. Such compensation should not exceed Rs. 1.0 million per annum for each director. Further, private sector banks have to obtain prior approval of the Reserve Bank of India for granting remuneration to the part-time non-executive chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949.

In May 2017, the Reserve Bank of India issued guidelines on minimum qualifications and experience required while inviting application for the position of Chief Financial Officer and Chief Technology Officer in banks.

Penalties

The Reserve Bank of India may impose penalties on banks and their employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment.

Assets to be Maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and the Reserve Bank of India approved securities, even if the bills and the securities are held outside India) are not less than 75.0% of its demand and time liabilities in India.

Restriction on Creation of Floating Charge

Prior approval of the Reserve Bank of India is required for creating floating charge on our undertaking or property. Currently, all of our borrowings, including bonds, are unsecured.

Maintenance of Records

We are required to maintain books, records and registers. The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the New Companies Act and the rules thereunder would apply to us as in the case of any company. The Know Your Customer Guidelines framed by the Reserve Bank of India also provide for certain records to be updated at regular intervals. As per the Prevention of Money Laundering Act, records of a transaction are to be preserved for five years (changed from ten years to five years in February 2013) from the date of the transaction between a customer and the bank. The Know-Your-Customer records are required to be preserved for a period of five years from the date of cessation of relationship with the customer. The Banking Companies (Period of Preservation of Records) Rules, 1985 requires such records to be preserved for eight years. The Banking Companies (Period of Preservation of Records) Rules, 1985 requires a bank's records of books, accounts and other documents relating to stock and share registers to be maintained for a period of three years.

Other Statutes

Companies Act

Companies in India, including banks, in addition to the sector-specific statutes and the regulations and guidelines prescribed by the sectoral regulators, are required to comply with relevant provisions of the Companies Act 1956. In 2013, the Indian Parliament enacted the new Companies Act, 2013, including, among other things, provisions to make independent directors more accountable, improve corporate governance practices and make corporate social responsibility mandatory for companies above a certain size and require them to spend a minimum of 2.0% of the average net profits of the preceding three years for corporate social responsibility initiatives. Any shortfall in this regard is required to be explained in the annual report.

Competition Act

The Competition Act 2002 established the Competition Commission of India with the objective of promoting competition, preventing unfair trade practices and protecting the interest of consumers. The

Competition Act prohibits anti-competitive agreements and abuse of market dominance, and requires the approval of the Competition Commission for mergers and acquisitions involving companies above a certain size. Further, the Competition (Amendment) Bill 2012, to amend the Competition Act 2002, was introduced in the lower house of Parliament in December 2012. The Bill aimed to widen the scope from the enterprise level to the group level in identifying abuse of dominance, give the government of India the flexibility to specify thresholds for mergers to be regulated under such Act, and make it mandatory for sector-specific regulators to take the views of the Competition Commission of India on mergers and acquisitions in their respective sectors. The bill was later referred to the Standing Committee on Finance, which submitted its report in February 2014. The bill has since lapsed following the dissolution of the Parliament in May 2014 and has not been reintroduced so far by the new government.

Secrecy Obligations

Our obligations relating to maintaining secrecy arise out of common law principles governing our relationship with our customers. We cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;
- where we need to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

We are also required to disclose information if ordered to do so by a court. The Reserve Bank of India may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceeding.

Regulations Governing Offshore Banking Units

The government and the Reserve Bank of India have permitted banks to set up offshore banking units in Special Economic Zones, which are specially delineated duty-free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. We have an offshore banking unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai. The key regulations applicable to offshore banking units include, but are not limited to, the following:

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$10 million to its offshore banking unit.

- Offshore banking units are exempt from cash reserve ratio requirements.

- The Reserve Bank of India may exempt a bank's offshore banking unit from statutory liquidity ratio requirements on specific application by the bank.

- An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act.

- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units.

- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the Reserve Bank of India in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals. Further, the bank's board would be required to set comprehensive overnight limits for each currency for these branches, which would be separate from the open position limit of the parent bank.

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- Offshore banking units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.

- Offshore banking units may operate and maintain balance sheets only in foreign currency.

- The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations.

- Offshore banking units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

- The Special Economic Zone Act, 2005 permitted offshore banking units to additionally undertake the following activities:

- lend outside India and take part in international syndications/consortiums on par with foreign offices;

- invest in foreign currency denominated debt of Indian units; and

- extend facilities to subsidiaries/units of Indian entities, located outside India.

Regulations governing banking units in International Financial Services Centers in India

In March 2015, the Reserve Bank of India issued guidelines relating to Indian banks setting up banking units in International Financial Services Centers in India. According to the guidelines, public and private sector banks dealing in foreign exchange would be permitted to set up one banking unit in each international financial services center in India. Banks will have to take prior approval of the Reserve Bank of India for opening a banking unit, and this will be treated on par with a foreign branch of an Indian bank. The minimum capital requirement for these banking units would be US$20 million. Funds raised by the banking units, including borrowings in foreign currency, would have to be from persons not resident in India. Deployment of funds can be with both persons resident in India as well as not resident in India. However, deployment of funds with persons resident in India shall be subject to the provisions of Foreign Exchange Management Act, 1999. Liabilities of these units would be exempted from cash reserve ratio and the statutory liquidity ratio requirements of the Reserve Bank of India. The banking units will have to maintain the minimum regulatory capital as prescribed by the Reserve Bank of India and prudential norms applicable to overseas branches of Indian banks would apply to these banking units. The banking units would operate and maintain their balance sheet only in foreign currency and will not be allowed to deal in Indian rupees, except having a special rupee account for administrative expenses. The loans and advances of these banking units would not be reckoned for priority sector lending requirements.

In April 2017, the Reserve Bank of India issued guidelines permitting banking units in International Financial Services Centers to undertake derivative transactions including transacting structured products, becoming a member of an exchange in the interest rate and currency derivative segments, becoming professional clearing member for clearing and settlement in the derivatives segment, and maintaining special non-resident rupee accounts with a bank in India for handling its administrative expenses.

Consolidated Supervision Guidelines

In fiscal 2003, the Reserve Bank of India issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are:

Consolidated Financial Statements: Banks are required to prepare consolidated financial statements intended for public disclosure.

Consolidated Prudential Returns: Banks are required to submit to the Reserve Bank of India consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries and group companies engaged in businesses not pertaining to financial services. Compliance on a consolidated basis is required in respect of the following main prudential norms:

- single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds, provided that the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);

- borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds, provided that the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);

- deduction from Tier 1 capital of the bank of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and

- consolidated capital market exposure limit of 40.0% of consolidated net worth with a direct investment limit of 20.0% of consolidated net worth.

See also “*Business—Loan Portfolio—Loan Concentration*”.

In June 2004, the Reserve Bank of India published the report of a working group on the monitoring of financial conglomerates, which proposed the following framework:

- identification of financial conglomerates that would be subjected to focused regulatory oversight;

- monitoring intra-group transactions and exposures and large exposures of the group to outside counter parties;

- identifying a designated entity within each group that would collate data in respect of all other group entities and furnish the same to its regulator; and

- formalizing a mechanism for inter-regulatory exchange of information.

The framework covers entities under the jurisdiction of the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India and the National Housing Bank and would in due course be extended to entities regulated by the proposed Pension Fund Regulatory and Development Authority. The Reserve Bank of India has identified us and our related entities as a financial conglomerate with ICICI Bank as the designated entity responsible for reporting to the Reserve Bank of India.

In March 2013, financial sector regulators the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India and the Pension Fund Regulatory and Development Authority, signed a memorandum of understanding to cooperate in the field of consolidated supervision and monitoring of financial conglomerates.

Regulations and Guidelines of the Securities and Exchange Board of India

The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of and to regulate the Indian securities market. We and our subsidiaries and affiliates are subject to the Securities and Exchange Board of India regulations for public capital issuances, private placements as well as underwriting, custodian, depositary participant, investment advisory, private equity, broking, asset management, banker to the issue and debenture trusteeship activities. These regulations provide for our registration with the Securities and Exchange Board of India for each of these activities, functions and responsibilities. We and our subsidiaries are required to adhere to codes of conduct applicable for these activities.

Special Status of Banks in India

The special status of banks is recognized under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the SARFAESI Act. As a bank, we are entitled to certain benefits under various statutes including the following:

- The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

- The Sick Industrial Companies Act, 1985, ("SICA"), provides for referral of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under this Act, other than the Board of Directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the Board of Industrial and Financial Reconstruction ("BIFR"). The SICA has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2004 ("SICA Repeal Act"). However, the SICA Repeal Act, which is due to come into force on a date to be notified by the central Government in the official gazette, has not yet been notified. On the repeal becoming effective, the provisions of the Companies Act will apply in relation to "sick" companies, under which the reference must be made to the National Company Law Tribunal, in place of the BIFR.

- The SARFAESI Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the SARFAESI Act.

Income Tax Benefits

As a banking company, the Bank is entitled to certain tax benefits under the Indian Income-tax Act. We are allowed a deduction of up to 20.0% of the profits derived from the business of providing long-term finance (defined as loans and advances extended for a period of not less than five years) computed in the manner specified under the Indian Income-tax Act and carried to a Special Reserve Account. The deduction is allowed subject to the aggregate of the amounts transferred to the Special Reserve Account for this purpose from time to time not exceeding twice our paid-up share capital and general reserves. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions of the Income-tax Act. In accordance with the guidelines issued by the Reserve Bank of India in December 2013, banks are required to create deferred tax liability on the special reserve on a prudent basis. The deferred tax liability up to March 31, 2013 was permitted to be directly adjusted through reserves and from fiscal year ended March 31, 2014 onwards to be charged through the profit and loss account. In India, while computing taxable income, provision on non-performing loans is allowed as a deduction from income only up to 7.5% of the total income and 10.0% of the aggregate average advances made by the rural branches of the bank. The balance of the provisions, which comprises a significant majority of the provision, is allowed as a deduction from the taxable income at the time of write-off of the loans.

Regulations Governing Insurance Companies

ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, our subsidiaries offering life insurance and non-life insurance, respectively, are subject to the provisions of the Insurance Act, 1938 and subsequent rules and amendments notified, and the various regulations prescribed by the Insurance Regulatory and

Development Authority of India. These regulations regulate and govern, among other things, registration as an insurance company, investment, solvency margin requirements, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests.

In March 2015, the Insurance Laws (Amendment) Act, 2015, was enacted, which, inter alia, raised the foreign shareholding limit in insurance companies from 26.0% to 49.0%, while requiring the companies to be Indian owned and controlled. The amendment also eliminated the earlier policy requiring promoters to reduce their stake to 26.0% after completion of 10 years of operations.

The Insurance Regulatory and Development Authority of India periodically issues guidelines pertaining to life insurance business. In fiscal 2011, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes are related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. In August 2015, the Insurance Regulatory and Development Authority of India issued regulations on registration of corporate agents for the sale of insurance products where an agent can tie up with up to three insurance companies each in life, non-life and health insurance sectors.

In fiscal 2007, the general insurance industry in India was de-tariffed and insurance premiums were freed from price controls. Further, in accordance with the Insurance Regulatory and Development Authority's order dated March 12, 2011, all general insurance companies in India were required to provide for losses on the third party motor pool (a multilateral arrangement for insurance in respect of third-party claims against commercial vehicles, the results of which are shared by all general insurance companies in proportion to their overall market share) at a provisional rate of 153.0% from fiscal 2008 to fiscal 2011, as compared to the earlier loss rate of 122.0% to 127.0%. This upward revision of the loss rates for the previous years impacted the profitability of the general insurance companies for fiscal 2012. Insurance Regulatory and Development Authority of India relaxed the solvency requirement for insurers to 1.3 at March 2012 and 1.4 at March 2013. The solvency margin required at March 2014 and at all times thereafter is 1.5.

Under the Insurance Act and regulations issued by the Insurance Regulatory and Development Authority of India, any increase in the shareholding of any investor in an insurance company beyond 5.0%, and any transfer of shareholding in excess of 1.0%, requires the prior approval of the Insurance Regulatory and Development Authority of India. Further, the Insurance Regulatory and Development Authority of India has issued guidelines for listed insurance companies. The guidelines, among other things, propose self-certification of fit and proper criteria by a person intending to acquire equity shares of an insurer amounting to 1.0% or more, but less than 5.0%, of the paid up equity share capital of the insurer, which shall be considered as a deemed approval by the Insurance Regulatory and Development Authority of India.

In fiscal 2017, the Insurance Regulatory and Development Authority of India issued revised corporate governance guidelines. The governance framework includes the board of directors, key management personnel, constitution of various committees such as the policyholder protection committee, defines the role of appointed actuaries, appointment of auditors and relationship with stakeholders. The Insurance Regulatory and Development Authority also issued regulations on the payment of commissions and rewards to agents and insurance intermediaries. The regulations lay down the maximum commission and reward payable for different lines of business. Regulations on management expenses (all expenses in the nature of operating expenses including commission, remuneration to the insurance agents, intermediaries and insurance intermediaries) have also been released. It suggests limiting management expenses separately for different lines of business and lays down the maximum limit for the same. The Authority also issued guidelines on Insurance e-commerce allowing an insurer or an insurance intermediary to set up an electronic platform for online sales and servicing. The Authority also introduced a new category of distribution channels through guidelines on point of sales person/product requiring minimal educational qualification to sell simple insurance products as permitted in the guidelines.

In July 2016, the Insurance Regulatory and Development Authority of India issued revised regulations pertaining to health insurance, the IRDAI (Health Insurance) Regulations 2016 (Health Regulations 2016), replacing the Health Regulations 2013. The Insurance Regulatory and Development Authority of India also replaced the Standardization Guidelines 2013 with the Guidelines on Standardization in Health Insurance of July 29, 2016 (Standardization Guidelines 2016) and the Guidelines on Product Filing in Health Insurance Business of July 29, 2016 (Product Filing Guidelines). Some important changes brought about by the regulations include allowing insurance companies to offer plans that are a mix of any life (earlier only term plan) and health plan, allowing cumulative bonus in benefit plans, offering wellness benefits, permitting insurers to launch pilot products, providing independence and flexibility in the format of standard declarations and disallowing life insurers to offer indemnity-based products.

The government of India along with the Insurance Regulatory and Development Authority of India has taken initiatives to increase insurance penetration. The distribution channels have been liberalized especially in the licensing of insurance agents and the authorizing point-of-sale persons and insurance marketing firms to undertake insurance related activities. In line with the government's initiative for promoting digital transactions, the Insurance Regulatory and Development Authority of India has laid down guidelines for electronic issuance of policies and using e-commerce for insurance transactions. Foreign reinsurers and Lloyds of London have been permitted to open branch offices in India with the aim to develop the domestic reinsurance market and augment the risk taking capacity of insurers.

Regulations Governing Mutual Funds

ICICI Prudential Asset Management Company, our asset management subsidiary, is subject to provisions of the Securities and Exchange Board of India (Mutual Fund) Regulations 1996, as amended from time to time. These regulations regulate and govern, among other things, registration as a mutual fund, restrictions on business activities of an asset management company, process for launching of mutual fund schemes, investment objectives and valuation policies and pricing. In June 2009, the Securities and Exchange Board of India issued guidelines stating that mutual funds could not charge any entry load to investors investing in mutual fund schemes. In August 2009, the Securities and Exchange Board of India issued guidelines directing mutual funds to ensure parity of exit loads charged across various unit holder groups.

From fiscal 2015, the tax on long-term capital gains was increased from 10.0% to 20.0% on redemption of debt mutual fund units. The period for defining long-term was also revised from 12 months to 36 months. Further, in March 2015, the Association of Mutual Funds of India introduced a cap of 100 basis points on upfront commission for all mutual fund schemes. This is effective from April 1, 2015. Exemption from service tax stands withdrawn in relation to services provided by mutual fund agent/distributor to mutual funds or asset management companies with effect from April 1, 2015. Service tax is payable under reverse charge mechanism by mutual funds or asset management companies.

In February 2017, the Securities and Exchange Board of India permitted mutual funds to invest in the units of Infrastructure Investment Trust and Real Estate Investment Trust. As per the guidelines, a mutual fund cannot own more than 10.0% of units issued by a single issuer and a mutual fund scheme shall not invest more than 10.0% of its net asset value in the units of Infrastructure Investment Trust and Real Estate Investment Trust. Correspondingly, a mutual fund scheme cannot invest more than 5.0% of its net asset value in the units of Infrastructure Investment Trust and Real Estate Investment Trust issued by a single issuer.

Regulations Governing International Operations

Our international operations are governed by regulations in the countries in which we have a presence. Further, the Reserve Bank of India has notified that foreign branches or subsidiaries of Indian banks can offer structured financial and derivative products, which are not permitted in the domestic market, only at established financial centers outside India, such as New York, London and Singapore. At other centers, the branches and subsidiaries of Indian banks can only offer those products permissible in the domestic market. For undertaking activities not permitted in the domestic market at these centers, banks will have to obtain approval from the Reserve Bank of India.

Overseas Banking Subsidiaries

Our wholly owned subsidiary in the United Kingdom, ICICI Bank UK PLC, is authorized and regulated by the Prudential Regulation Authority and Financial Conduct Authority. The UK subsidiary has established a branch in Antwerp, Belgium and in Frankfurt, Germany under the European Union Passporting arrangement.

Our wholly owned subsidiary in Canada, ICICI Bank Canada (a Schedule II Bank in Canada), is regulated by the Office of the Superintendent of Financial Institutions, which provided it with an order to commence and carry on business on November 25, 2003.

Offshore Branches

The Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, as amended, and rules issued thereunder, permit a branch located outside India of a bank incorporated or constituted in India to borrow in foreign currency in the normal course of its banking business outside India, subject to the directions or guidelines issued by the Reserve Bank of India from time to time and the regulatory authority of the country where the branch is located.

Our Singapore branch is currently engaged in corporate and institutional banking, private banking, retail banking and treasury-related activities. In April 2010, the Monetary Authority of Singapore granted the Singapore branch Qualified Full Banking privileges which entitled us to take retail deposits. In Bahrain, we have a retail branch, regulated by the Central Bank of Bahrain. The Bahrain branch is permitted to transact banking business with approved financial institutions within Bahrain, individuals or institutions outside Bahrain. It is also permitted to offer banking services to non-resident Indians in Bahrain. Our branch in Hong Kong is regulated by the Hong Kong Monetary Authority and is permitted to undertake banking business with certain restrictions. Our branch in Sri Lanka is regulated by the Central Bank of Sri Lanka. Our branch in the Dubai International Financial Centre is regulated by the Dubai Financial Services Authority and is licensed to engage with professional clients in or from the Dubai International Financial Centre (DIFC). The Qatar Financial Centre Regulatory Authority regulates our branch in Qatar Financial Centre (QFC). Our branch in New York is regulated by the Federal Reserve Board and the Office of the Comptroller of the Currency. In addition, we also have an Offshore Banking Unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai and an

IFSC Banking Unit at Office E-2 & E-4 (Unit No.18 & 20), Zonal Facility Centre (ZFC) Annexe, Gujarat International Finance Tec-City - Multi-Services-Special Economic Zone, Gandhinagar, Gujarat. In fiscal 2016, we have upgraded a representative office to a branch in Shanghai, China. The branch is regulated by the China Banking Regulatory Commission. We have also upgraded a representative office in South Africa into a branch which is regulated by the South Africa Reserve Bank.

Representative Offices

Our representative offices in United Arab Emirates, Bangladesh, Malaysia and Indonesia are regulated by the respective regulatory authorities.

Foreign Account Tax Compliance Act

The government of India entered into a Model 1 inter-governmental agreement with respect to Foreign Account Tax Compliance Act with the United States. ICICI Bank has registered with the Internal Revenue Service in the United States. In addition, the United States has entered into Model 1 inter-governmental agreements with respect to Foreign Account Tax Compliance Act with Singapore, the United Arab Emirates, Qatar, South Africa, Bahrain and reached a similar agreement in substance with China, and a Model 2 intergovernmental agreement with respect to Foreign Account Tax Compliance Act with Hong Kong. ICICI Bank has taken measures to comply with the terms of applicable inter-governmental agreements with respect to Foreign Account Tax Compliance Act and any regulations issued thereunder.

Common Reporting Standards

The Common Reporting Standard formally referred to as the Standard for Automatic Exchange of Financial Account Information, is an information standard for the automatic exchange of information, developed in the context of the Organization for Economic Co-operation and Development. India is one of the very few countries that have adopted a common approach for implementation of Foreign Account Tax Compliance Act and Common Reporting Standard. In India requirements under Foreign Account Tax Compliance Act/Common Reporting Standard are implemented by the Central Board of Direct Taxes.

Exchange Controls

Restrictions on Conversion of Rupees

There are restrictions on the conversion of rupees into dollars. Before February 29, 1992, the Reserve Bank of India determined the official value of the rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain specified priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, the Reserve Bank of India announced relaxations in payment restrictions in the case of a number of transactions. Since August 1994, the government of India has substantially complied with its obligations owed to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument in managing the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment.

The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India. The Foreign Exchange Management Act, 1999 has substantially eased the restrictions on current account transactions (with a few exceptions). However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The Reserve Bank of India has also permitted authorized dealers to freely allow remittances by individuals up to US$ 250,000, increased from the earlier limit of US$ 125,000 in February 2015, subject to certain restrictions per financial year for any permissible current or capital account transactions or a combination of both, under the Liberalized Remittance Scheme.

Restrictions on Sale of the Equity Shares underlying ADSs and Repatriation of Sale Proceeds

There are no end-use restrictions on ADS issue proceeds except for the real estate sector and stock markets, in which investment of ADS issue proceeds is prohibited.

An ADS holder is entitled to hold or transfer ADSs or redeem them into underlying ordinary shares with the option to continue holding ordinary shares. ADS holders are entitled to same bonus and rights issue as any ordinary shareholder of the company.

ADSs issued by Indian companies to non-residents have free convertibility outside India. Under current Indian regulations there is a general permission for the sale/transfer of equity shares underlying ADSs obtained after conversion of ADSs by a person not resident in India to a resident of India if the sale is proposed to be made through a recognized stock exchange or when the underlying shares are being sold in terms of an offer made under Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations. For all other cases of sale of shares underlying the ADSs, permission of the Reserve Bank of India is required.

If a sale of securities has taken place in terms of the Reserve Bank of India guidelines and other applicable regulations, as briefly described in the previous paragraph, then provided (i) the securities were held on repatriation basis, (ii) the shares were sold on a recognized stock exchange in India through a stock broker at the ruling market price as determined on the floor of the exchange and (iii) a no objection/tax clearance certificate from income tax authority had been obtained, the sale proceeds may be freely remitted.

After the announcement of India's budget for fiscal 2002, the Reserve Bank of India issued certain notifications for the liberalization of the capital account. Pursuant to the notifications, in contrast to prior regulations, limited two-way fungibility in ADS/GDR issues of Indian companies was introduced, subject to sectoral caps, wherever applicable.

On May 12, 2015, a new edition of Consolidated Foreign Direct Investment Policy came into effect, to further liberalize FDI, which is a capital account transaction.

Following an amendment to the regulations on transfer or issue of security by a person resident outside India, under the Foreign Exchange Management Act, 1999, a domestic custodian in India is permitted to purchase shares of any Indian company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADSs, provided that:

- the shares are purchased on a recognized stock exchange;
- the Indian company has issued ADSs;
- the shares are purchased with the permission of the custodian of ADSs of the concerned Indian company and are deposited with the custodian;
- the number of shares so purchased shall not exceed the number of ADSs converted into underlying shares and shall be subject to sectoral caps as applicable; and
- the non-resident investor, broker, custodian and the overseas depositary comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depositary Receipt Mechanism) Scheme, 1993 and the guidelines issued there under by the government of India from time to time.

The Operative Guidelines for Disinvestment of Shares by the Indian Companies in the Overseas Market through the Issue of ADRs/GDRs were notified by the Government of India, Ministry of Finance vide notification No.15/23/99-NRI on July 29, 2002. Under these guidelines, the shareholders may divest their holdings in the overseas market through the mechanism of a sponsored ADS issue by the Indian company. The holdings which may be divested are holdings in Indian companies which are listed either in India or on an overseas exchange. The divestment process is initiated when the Indian company whose shares are being offered for divestment in the overseas market sponsors an ADS issue against the block of existing shares offered by the shareholders under these guidelines. Such ADS issues against existing shares offered by shareholders under the aforesaid guidelines. The proceeds of ADS issue raised abroad shall be repatriated into India within a period of one month of the closure of such issue.

Such ADR/GDR issue against existing shares arising out of divestment must also comply with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, if ADSs are cancelled and the underlying shares are to be registered with the company. Such divestment would result in foreign equity investment and would also need to conform to the foreign direct investment sectoral policy. All mandatory approvals including those under the Companies Act, 1956 or Companies Act, 2013 (as applicable) would have to be obtained prior to the issue. Further, approval of the Foreign Investment Promotion Board for foreign equity induction through the offer of existing shares under the ADR/GDR route would also have to be obtained. Also, divestment inducting foreign equity would need to be in conformity with the FDI sectoral policy and the applicable sectoral cap.

The Reserve Bank of India has permitted Indian companies issuing ADSs to repatriate the proceeds of issue to India for deployment for the purposes permitted by the government of India; pending repatriation of issue proceeds to India, the Indian company may:

- invest the funds as an interim arrangement on short-term basis as deposits in foreign banks which are rated for short-term obligations A1+ by Standard and Poor's or P1 by Moody's or with the branches of Indian banks abroad; or keep the funds as foreign currency deposits with authorized dealers and/or public financial institutions in India; or

- invest in treasury bills and other monetary instruments with a maturity or unexpired maturity of one-year or less; or

- invest in certificate of deposit or other paper issued outside India by banks incorporated in India.

The Reserve Bank of India permits resident shareholders of Indian companies who offer their shares for conversion to ADSs to receive the sale proceeds in foreign currency. However, the conversion to such ADSs must have the approval of the Foreign Investment Promotion Board. Further, the sale proceeds received by residents on conversion of shares to ADSs under the approved sponsored ADR/GDR scheme are permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) accounts or to their rupee accounts in India at their option.

Depository Receipts Scheme, 2014

The government of India has notified the Depository Receipts Scheme, 2014 for investments under ADR/GDR. This became effective December 15, 2014 and repealed the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993, except for the guidelines pertaining to foreign currency convertible bonds. According to guidelines under the Depository Receipts Scheme, 2014, the aggregate eligible securities issued or transferred to foreign depositories, along with eligible securities held by person resident outside India, cannot exceed the limit on foreign holdings under the Foreign Exchange Management Act. The eligible securities to be issued to a foreign depository, for the purpose of issuing depository receipts, cannot be at a price lower than the price of such securities issued to domestic investors. Furthermore, if the issuance of depository receipts adds to the capital of a company, the issue of shares and utilization of the proceeds will have to comply with the relevant conditions laid down under the Foreign Exchange Management Act, 1999. See also *"Restriction on Foreign Ownership of Indian Securities"*.

Any fresh issuance of Depository Receipts by us and any changes/modifications in the existing terms and conditions of ADR/GDR should be in accordance with the 'Depository Receipts Scheme, 2014' and/or subject to approval or clarification from the Reserve Bank of India or Securities and Exchange Board of India.

Restriction On Foreign Ownership of Indian Securities

The Government of India strictly regulates ownership of Indian companies by foreigners. Foreign investment in securities issued by Indian companies, including the equity shares represented by ADSs, is governed by the Foreign Exchange Management Act, 1999, read with the rules, regulations and notifications issued thereunder. The Act authorizes the Reserve Bank of India to impose restrictions on inflow or outflow of the foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India or relevant departments of the government of India. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies.

The issue or transfer of any security of an Indian company by a person resident outside, foreign investment in Indian securities (shares, convertible debentures and warrants); exchange traded derivative contracts as well as issuance of rupee denominated shares for issuing ADSs, are all governed by applicable regulations framed under the Foreign Exchange Management Act, 1999 and shall be only in accordance with the terms and conditions specified under such regulations.

The foreign investment limit in Indian companies shall include, in addition to foreign direct investments, investment by Foreign Institutional Investors, Foreign Portfolio Investors, Qualified Foreign Investors, Non-Resident Indians, Foreign Currency Convertible Bonds, American Depository Receipts, Global Depository Receipts and convertible preference shares held by foreign entities.

Under the foreign investment rules, the following restrictions are applicable to non-resident ownership:

Foreign direct investment

Foreign direct investment means investment by a non-resident entity/person resident outside India in the equity shares/compulsorily convertible preference shares/compulsorily convertible debentures/warrants of an Indian company under Schedule 1 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Outside India) Regulations, 2000.

The above Regulations *inter-alia* provide for the following restrictions on foreign ownership for banks:

- Foreign investors (including foreign institutional investors and foreign portfolio investors) may own up to 74.0% of our equity share capital subject to guidelines issued by the Reserve Bank of India from time to time. While foreign direct investment up to 49.0% is under automatic route and does not require any specific approval, foreign direct investment beyond 49.0% and up to 74.0% requires approval of the Department of Financial Services, Ministry of Finance. The aggregate foreign investment limit of 74.0% includes investments by way of foreign direct investments, ADSs, Global Depositary Receipts and investment under the Portfolio Investment Scheme by foreign institutional investors and non-resident Indians, and also includes shares acquired by subscription to private placements and public offerings and acquisition of shares from existing shareholders. At least 26.0% of the paid-up capital would have to be held by Indian residents at all times, except in regard to a wholly owned subsidiary of a foreign bank.

- A foreign bank may operate in India through only one of the three channels viz., (i) branches (ii) a wholly-owned subsidiary and (iii) a subsidiary with aggregate foreign investment up to a maximum of 74.0% in a private bank. A foreign bank will be permitted to establish a wholly-owned subsidiary either through conversion of existing branches into a subsidiary or through a fresh banking license. A foreign bank will be permitted to establish a subsidiary through acquisition of shares of an existing private sector bank provided at least 26.0% of the paid-up capital of the private sector bank is held by residents at all times. A subsidiary of a foreign bank will be subject to the licensing requirements and conditions broadly consistent with those for new private sector banks.

The Reserve Bank of India earlier released its roadmap for foreign banks in India. See also "*Overview of the Indian Financial Sector-Foreign Banks*". The roadmap was divided into two phases. During the first phase, between March 2005 and March 2009, foreign banks were allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring. The second phase was scheduled to commence in April 2009 after a review of the experience gained and after due consultation

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with all the stakeholders in the banking sector. For new and existing foreign banks, it was proposed to go beyond the existing commitment to the World Trade Organization of allowing an increase of 12 branches per year. A more liberal policy was to be followed for under-banked areas. However, in April 2009, in view of the deterioration in the global financial markets, the Reserve Bank of India decided to put on hold the second phase until greater clarity emerged on recovery as well as the reformed global regulatory and supervisory architecture. In January 2011, the Reserve Bank of India released a discussion paper on the Presence of Foreign Banks in India. On November 6, 2013, the Reserve Bank of India released the framework for setting up of wholly owned subsidiaries by foreign banks in India. The Reserve Bank of India, in its second quarter monetary policy review announced in October 2013 has also proposed near national treatment for foreign banks, based on the principles of reciprocity and subsidiary mode of presence.

Under the Portfolio Investment Scheme:

i. Foreign institutional investors/sub-accounts of foreign institutional investors, subject to registration with the Securities and Exchange Board of India, may hold in aggregate up to 24.0% of paid-up equity capital. This limit may be raised to the sectoral cap/statutory ceiling of 74.0% in case of a private sector banking company, subject to resolution of the board of directors, a special resolution of the shareholders and prior notification to the Reserve Bank of India and provided that no single foreign institutional investor or approved sub-account of foreign institutional investors may own more than 10.0% of total paid-up equity capital on behalf of itself or its sub-accounts.

ii. An individual non-resident Indian may hold up to 5.0% of total paid-up equity capital both on repatriation and non-repatriation basis and in aggregate, the shareholding of all non-resident Indians is restricted to 10% of our total paid-up capital. This aggregate limit may be raised to 24.0% of the total paid-up capital if a special resolution is passed at a general meeting of the shareholders of the company.

- Overseas corporate bodies or OCBs are not permitted to invest under the Portfolio Investment Scheme, although they may continue to hold investments that have already been made under the Portfolio Investment Scheme until such time as these investments are sold on the stock exchange. Overseas corporate bodies are derecognized as a class of investor entity by the Reserve Bank of India under various routes and schemes under the foreign exchange regulations.

Foreign Portfolio Investment Scheme – Purchase of shares or convertible debentures or warrants

The Securities and Exchange Board of India introduced Foreign Portfolio Regulations, 2014 which repealed the SEBI (Foreign Institutional Investors), Regulations, 1995. Under the Foreign Portfolio Regulations, 2014 foreign institutional investors, sub-accounts and qualified foreign investors were merged into a new investor class called as foreign portfolio investors. A foreign portfolio investor registered with the Securities and Exchange Board of India can purchase shares or convertible debentures or warrants of an Indian company. The holding of an individual foreign portfolio investor is restricted to 10.0% of the total paid-up capital, and the aggregate limit for all foreign portfolio investors cannot exceed 24.0% of the total paid-up capital, which can be raised further up to the sectoral limit of 74.0% of the total paid-up capital through a special resolution by the board of directors followed by a special resolution passed at a general meeting of the shareholders of the bank. The clubbing of investment limit of foreign portfolio investors is based on common ultimate beneficial ownership. In case, the same investor/same set of end investors are constituents of two or more foreign portfolio investments and such investor(s) have a beneficial ownership of more than 50.0% in those foreign portfolio investments, the investment limit of such foreign portfolio investments shall be clubbed at the threshold prescribed for a single foreign portfolio investment. All such foreign portfolio investors will be treated as forming part of an investor group.

Transfer of shares or convertible debentures or warrants by a person resident outside India

A person residing outside India (other than a non-resident Indian and overseas corporate bodies) may transfer by way of sale or gift the shares or convertible debentures or warrants held by him or it to any person residing outside India. A non-resident Indian or overseas corporate bodies may transfer by way of sale or gift, the shares or convertible debentures or warrants held by him or it to another non-resident Indian or overseas corporate bodies only.

A person resident outside India holding the shares or convertible debentures or warrants of an Indian company,

(a) may transfer the same to a person resident in India by way of gift;

(b) may sell the same on a recognized stock exchange in India through a registered broker; or

(c) may sell the same to a person resident in India, without the prior permission of the Reserve Bank of India, subject to the adherence to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by the Reserve Bank of India from time to time.

The Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of equity shares of a private sector bank, if such acquisition results in any person owning or controlling 5.0% or more of the paid-up capital of the bank, are also applicable to non-resident investors investing in our shares. For more details on the Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of shares of a private bank, see *"Supervision and Regulation— Ownership Restrictions"*.

Issue of ADSs

Indian companies were permitted to raise foreign currency resources through the issuance of shares represented by ADSs to foreign investors under the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism), 1993 which has now been replaced by the Depository Receipts Scheme 2014. Such issuance is subject to sectoral cap, entry route, minimum capitalization norms, pricing norms, etc. as applicable as per the foreign direct investment regulations notified by the Reserve Bank of India from time to time.

An Indian company issuing ADSs must comply with certain reporting requirements specified by the Reserve Bank of India. An Indian company may issue ADSs if it is eligible to issue shares to persons resident outside India under the foreign direct investment scheme, and shall not exceed the limit on foreign holding of such eligible securities under the extant Foreign Exchange Management Act regulations, as amended from time to time. Similarly, an Indian company which is not eligible to raise funds from the Indian capital markets, including a company which has been restricted from accessing the securities market by the Securities and Exchange Board of India, will not be eligible to issue ADSs.

Investors do not need to seek specific approval from the Government of India to purchase, hold or dispose of ADSs. However, overseas corporate bodies as defined under applicable Reserve Bank of India regulations, which are not eligible to invest in India and entities prohibited to buy, sell or deal in securities by the Securities and Exchange Board of India are not eligible to subscribe to ADSs issued by Indian companies. Notwithstanding the foregoing, if any investor were to withdraw its equity shares from the ADS program, its investment would be subject to the general restrictions on foreign ownership noted above and may be subject to the portfolio investment restrictions. Secondary purchases of securities of a banking company in India by foreign direct investors or investments by non-resident Indians, overseas corporate bodies and foreign institutional investors above the ownership levels set forth above require the Indian government's approval on a case-by-case basis. It is unclear whether similar case-by-case approvals of ownership of equity shares withdrawn from the depositary facility by non-resident Indians, overseas corporate bodies and foreign institutional investors would be required.

Furthermore, if an investor withdraws equity shares from the ADS program and its direct or indirect holding in us is equal to or exceeds 25.0% of our total equity, such investor may be required to make a public offer to the remaining shareholders under the Takeover Code. For more details on the Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of shares of a private bank, see "*Supervision and Regulation—Ownership Restrictions*".

Depository Receipts Scheme, 2014

An eligible person may now, issue or transfer eligible securities to a foreign depository for the purpose of issuance of depository receipts in terms of Depository Receipts Scheme, 2014. However, depository receipts issued under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 shall be deemed to have been issued under the corresponding provisions of the Depository Receipts Scheme 2014.

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Dividends

Under Indian law, a company pays dividends upon a recommendation by its Board of Directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months from the end of each fiscal year. The shareholders have the right to decrease but not increase the dividend amount recommended by the Board of Directors. Dividends may be paid out of the company's profits for the fiscal year for which the dividend is declared or out of undistributed profits of prior fiscal years. Dividends can also be paid by a company in the interim period, termed "interim dividend" which does not require the approval of the shareholders unless it is combined with the final dividend being recommended by the Board of Directors. The Reserve Bank of India has stipulated that banks may declare and pay dividend out of the profits from the relevant accounting period, without prior approval of the Reserve Bank of India if they satisfy the minimum prudential requirements and subject to the prudential cap on dividend payout ratio prescribed in the guidelines issued in this regard by the Reserve Bank of India. See also "*Supervision and Regulation—Restrictions on Payment of Dividends*". Equity shares issued by us are pari passu in all respects including dividend entitlement.

ICICI Bank has paid dividends consistently every year from fiscal 1996, the second year of our operations. For fiscal 2013, we paid a dividend, excluding dividend tax, of Rs. 4.00 per equity share, aggregating to Rs. 23.1 billion in June 2013. For fiscal 2014, we paid a dividend, excluding dividend tax, of Rs. 4.60 per equity share, aggregating to Rs. 26.6 billion in July 2014. For fiscal 2015, we paid a dividend, excluding dividend tax, of Rs. 5.00 per equity share, aggregating to Rs. 29.0 billion in June 2015. For Fiscal 2016, we paid a dividend, excluding dividend tax, of Rs. 5.00 per equity share, aggregating to Rs. 29.1 billion in July 2016. For Fiscal 2017, we paid a dividend, excluding dividend tax, of Rs. 2.5 per equity share (pre-bonus issue), aggregating to Rs. 14.57 billion in June 2017.

The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid out on the equity shares during the fiscal year by ICICI Bank, each exclusive of dividend tax. This may be different from the dividend declared for the year.

Dividend paid during the fiscal year	Dividend per equity share	Total amount of dividends paid
	(Rs. in billions)	
2013	3.30	19.0
2014	4.00	23.1
2015	4.60	26.6
2016	5.00	29.0
2017	5.00	29.1

Dividend income is tax-exempt in the hands of shareholders. However, the Companies are liable to pay dividend distribution tax on distributed profits. For fiscal 2017, we paid dividend distribution tax at the rate of 20.358% (including surcharge and cess) on distributed profits.

Future dividends will depend upon our revenues, cash flow, financial condition, the regulations of the Reserve Bank of India and other factors. Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. The equity shares represented by ADSs rank pari passu with existing equity shares. At present, we have equity shares issued in India and equity shares represented by ADSs.

One equity share of Rs. 10 was sub-divided into five equity shares of Rs. 2 each in fiscal 2015. Accordingly, dividend per equity share has been adjusted.

Bonus issue

The Board of Directors at a meeting held on May 3, 2017, which was approved by the shareholders of the Bank in June 2017, approved the issue of one bonus equity share of Rs. 2 each for every ten fully paid-up equity shares held (including shares underlying ADS) as on the record date. The shareholders of the Bank approved through postal ballot in June 2017 for increase in the authorized share capital, consequential alterations to the Memorandum and Articles of Association of the Bank and the issuance of bonus shares. Subsequent to the bonus issue, the ratio of ADSs to equity shares remained unaffected and each ADS after the bonus issue continues to represent two equity shares of par value of Rs. 2 per share.

Taxation

Indian Tax

The following discussion of material Indian tax consequences to investors in ADSs and equity shares who are not resident in India, regardless of whether such investors are of Indian origin or not (each, a “non-resident investor”), is based on the provisions of the Indian Income-tax Act, 1961 (the Act), including the special tax regime for ADSs contained in Section 115AC, which has been extended to cover additional ADSs that an investor may acquire in a merger or restructuring of the company, and certain regulations implementing the Section 115AC regime. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences described herein may be amended or modified by future amendments to the Income-tax Act. This summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of ADSs and equity shares by non-resident investors. Holders should, therefore, consult their own tax advisers regarding the tax consequences of such acquisition, ownership and sale, including the tax consequences under Indian law, the law of the jurisdiction of their residence, any tax treaty between India and their country of residence, and in particular the application of the regulations implementing the Section 115AC regime.

Residence

For the purposes of the Income-tax Act, an individual is a resident of India during any fiscal year if such individual (i) is in India in that year for 182 days or more or (ii) is in India for a period or periods aggregating 365 days or more during the four years preceding that fiscal year and periods aggregating 60 days or more in that fiscal year. The period of 60 days is replaced with 182 days in the case of an Indian citizen or person of Indian origin who, being resident outside India, comes on a visit to India during the fiscal year, or an Indian citizen who leaves India for purposes of employment or as a member of the crew of an Indian ship during the fiscal year. A company is resident in India in any fiscal year if it is an Indian company or its place of effective management in that year is in India. A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India.

Taxation of Distributions

Dividends paid are not subject to tax in India in the hands of a recipient. However, we are required to pay Dividend Distribution Tax at the rate of 15% (plus the applicable surcharge of 12% and education cess of 3%) on the dividends paid/declared/distributed by us. Under Section 115-O(1A) of the Income-tax Act, dividends received by us on which our domestic subsidiaries have paid the dividend distribution tax under this Section or dividends received from our offshore subsidiaries on which we have paid tax under Section 115BBD of the Income-tax Act, are deducted from the dividends paid/declared/distributed by us for the purpose of determining the dividend distribution tax payable by us. Dividend distribution tax is levied on the gross amount (including distribution tax) instead of the net amount distributed resulting in increase in dividend distribution tax rate to 20.358% (including the applicable surcharge and education cess).

Taxation on Exchange of ADSs

The receipt of equity shares upon the surrender of ADSs by a non-resident investor would not give rise to a taxable event for Indian tax purposes.

Taxation on Sale of ADSs or Equity Shares

Any transfer of ADSs outside India by a non-resident investor to another non-resident investor will not give rise to Indian capital gains tax in the hands of the transferor. Transfer of ADSs by Foreign Institutional Investors to an Indian resident will be considered as capital gains.

Subject to any relief under any relevant double taxation treaty, gain arising from the sale of an equity share will generally give rise to liability for Indian income tax in the hands of the transferor and tax will be required to be withheld at source. Gains will either be taxable as capital gains or as business income, depending upon the nature of holding. Where the equity share has been held for more than 12 months (measured from the date of advice of redemption of the ADS by the depository as specified below), the resulting long-term capital gains will be exempt from tax if the shares are traded on a recognized stock exchange and the securities transaction tax, described below, is paid on such sale. The Finance Act, 2017 has also introduced an additional condition of payment of securities transaction tax at the time of purchase. However, as per the subsequent notification, such additional requirement has been relaxed for payment of securities transaction tax on conversion of ADSs to equity shares subject to certain conditions laid down in the said notification. If the equity share has been held for

12 months or less, the resulting short-term capital gains will be taxable at a tax rate of 15% (plus the applicable surcharge and education cess). This rate of tax is applicable provided the gains are treated as capital gains and provided the shares are sold on recognized Indian stock exchanges and are subject to securities transaction tax. In other cases, the rate of tax applicable under the provisions of the Income-tax Act varies, subject to a maximum rate of 40% (plus the applicable surcharge and education cess). The actual rate depends on a number of factors, including without limitation the nature of the non-resident investor.

The above rate may be reduced under the provisions of the double taxation treaty entered into by the government of India with the country of residence of the non-resident investors. The double taxation treaty between the United States and India (the "Treaty") does not provide U.S. residents with any relief from Indian tax on capital gains i.e. it will be taxable as per the local laws of India.

Tax on long-term and short-term capital gains, if payable, as discussed above, upon a sale of equity shares, is to be deducted at source by the person responsible for paying the non-resident, in accordance with the relevant provisions of the Act, and the non-resident will be entitled to a certificate evidencing such tax deduction in accordance with the provisions of Section 203 of the Act. However, as per the provisions of Section 195 of the Act, any income by way of capital gains payable to non-residents (other than long-term capital gains exempt under section 10(38) of the Act) may be subject to withholding of tax at the rate under Act or the double taxation treaty , whichever is more beneficial to the assessee, unless a lower withholding tax certificate is obtained from the tax authorities. Further, the non-resident investor must furnish a certificate of his or her residence in a country outside India and such other documents as may be prescribed under the Act to get the benefit of the applicable double taxation treaty. .

In addition, if tax is deductible then investors are required to submit a valid Permanent Account Number (PAN), issued by the Indian Income Tax authorities, otherwise tax will be deducted at the higher of (a) the rate specified in the relevant provisions of the Finance Act; (b) the rate or rates in force; or (c) 20%. If the non-resident investor does not have a PAN, tax identification number may be submitted along with certain other details such as name, e-mail ID, contact number, address in the country of tax residence along with a tax residency certificate substantiating such tax identification number.

For purposes of determining the amount of capital gains arising on a sale of an equity share for Indian tax purposes, the cost of acquisition of an equity share received upon the surrender of an ADS will be the price of the share prevailing on the BSE Limited or the National Stock Exchange of India Limited on the date a request for such redemption was made. The holding period of an equity share received upon the surrender of an ADS will commence on the date on which request for such redemption of the ADS was made.

A sale/purchase of equity shares entered into on a recognized stock exchange in India, whether settled by actual delivery or transfer, will be subject to Securities Transaction Tax in the hands of purchaser and seller at the rate of 0.1% on the value of the transaction at the time of sale. However, when settlement is done other than by actual delivery or transfer, it will be subject to STT in the hands of seller at the rate of 0.025% on the value of the transaction at the time of sale.

Rights

Distributions to non-resident investors of additional ADSs or equity shares or rights to subscribe for equity shares made with respect to ADSs or equity shares are not subject to Indian income tax in the hands of the non-resident investor.

The income derived from the sale of rights outside India by a non-resident investor to another non-resident investor would not be entitled to exemption under a tax treaty and would be subject to Indian capital gains tax.

Furthermore, in case of sale of right shares, the cost of acquisition would be the total of the subscription price paid to the company for acquiring such right shares and the price paid by the investor to purchase such right and the period of holding will commence from the date of allotment of such shares.

Bonus

The period of holding in case of bonus shares will commence from the date of allotment of such bonus shares. The cost of acquisition of bonus shares is nil.

Stamp Duty

Upon the issuance of the equity shares underlying ADSs, we are required to pay a stamp duty of 0.1% of the issue price per share. A transfer of ADSs is not subject to stamp duty under Indian law. Generally, upon the receipt of equity shares in physical form from the depositary in exchange for ADSs representing such equity shares, a non-resident investor is liable for stamp duty under Indian law which would be applicable to re-issuances in physical form. This stamp duty is the same as stamp duty payable on original issuances in physical form. Similarly, an agreement to sell equity shares in physical form by a non-resident investor is also subject to stamp duty at the rate of 0.005% of the market value of the equity shares on the trade date. In addition, a stamp duty of 0.25% of the market value of the equity shares on the trade date is levied upon the transfer certificate. Customarily, stamp duty is borne by the transferee, that is, the purchaser. However, our equity shares are compulsorily delivered in non-physical form, unless the trade is for 500 shares or less, in which case, the shares may be delivered in physical form. Under stamp laws in India, no stamp duty is payable on the acquisition or transfer of equity shares in non-physical form. Except for the stamp duty payable on a transfer certificate, the rates of stamp duty provided above are the rates that are applicable when the document is stamped in the state of Maharashtra. The transfer certificate is stamped as per the rate prescribed under the Indian Stamp Act, 1899.

Other Taxes

At present, there are no taxes on wealth, gifts or inheritance which apply to the ADSs or underlying equity shares.

Goods and Services Tax

Goods and Services Tax is a single comprehensive tax levied on the manufacture, sale and consumption of goods and services at a national level. It is applicable from July 1, 2017 on all transactions of goods and services on which various indirect taxes levied by the Centre and States is submersed except goods and services outside the purview of GST and transactions below the threshold limit. Brokerage fees paid to stockbrokers in connection with the sale or purchase of shares which are listed on any recognized stock exchange in India are subject to GST at a rate of 18%. The stockbroker is responsible for collecting the GST and paying it to the relevant authority.

General Anti Avoidance Rule (GAAR)

The provisions for General Anti Avoidance of Tax ("GAAR") are effective from April 1, 2017. The powers to invoke provisions under GAAR are bestowed upon the Indian Income Tax Authorities if they allege that the primary motive of a particular transaction or arrangement is to obtain a tax advantage. If provisions under GAAR are invoked by tax authorities, then a tax benefit or benefit under the tax treaty may be denied.

United States Federal Income Tax

The following is a description of material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of ADSs or equity shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to own ADSs or equity shares. This discussion applies only to a U.S. Holder that owns ADSs or equity shares as capital assets for U.S. federal income tax purposes.

This discussion does not discuss all of the tax consequences that may be relevant in light of your particular circumstances, including alternative minimum tax consequences, tax consequences of the "Medicare contribution tax" on "net investment income" and tax consequences applicable to U.S. Holders subject to special rules, such as:

- insurance companies;
- tax-exempt entities;
- certain dealers and traders in securities who use a mark-to-market method of tax accounting;
- certain financial institutions;
- persons who own ADSs or equity shares as part of an integrated investment (including a straddle or conversion transaction);

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- persons whose functional currency is not the U.S. dollar;
- persons who acquired or received ADSs or equity shares pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons holding ADSs or equity shares in connection with a trade or business conducted outside of the United States;
- persons who own, directly, indirectly or constructively, 10.0% or more of our voting stock; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns ADSs or equity shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning ADSs or equity shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of ADSs or equity shares.

This discussion is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, (referred to as the "Code"), proposed and final Treasury regulations, revenue rulings and judicial decisions, all as of the date hereof, which may change, possibly with retroactive effect.

A "U.S. Holder" is a person who, for U.S. federal income tax purposes, is a beneficial owner of ADSs or equity shares and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying equity shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying equity shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom depositary shares are released before shares are delivered to the depositary ("pre-release"), or intermediaries in the chain of ownership between holders and the issuer of the security underlying the depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of depositary shares. These actions would also be inconsistent with the claiming of the reduced rates of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the creditability of Indian taxes and the availability of the reduced tax rates for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries. This discussion is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

Please consult your tax adviser with regard to the application of U.S. federal income tax laws to ADSs or equity shares in your particular circumstances, including the passive foreign investment company ("PFIC") rules described below, as well as any tax consequences arising under the laws of any state, local or other taxing jurisdiction.

Except as discussed below, this discussion assumes that we have not been for the taxable year ended 2017, and will not become, a PFIC for any taxable year.

Taxation of Dividends

Distributions you receive on ADSs or equity shares, other than certain pro rata distributions of equity shares or rights to acquire equity shares to all holders of equity shares (including holders of ADSs), will generally constitute foreign-source dividend income for U.S. federal income tax purposes. The amount of the dividend you will be required to include in income will be based on the U.S. dollar value of the rupees received, calculated by reference to the exchange rate in effect on the date the payment is received by the depositary (in the case of ADSs) or by you (in the case of equity shares) regardless of whether the payment is converted into

U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. If you realize gain or loss on a sale or other disposition of rupees, it will constitute U.S. source ordinary income or loss. The amount of the dividend will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, the discussion above regarding concerns expressed by the U.S. Treasury and the PFIC discussion below, if you are a non-corporate U.S. Holder, dividends paid to you may be taxable at the favorable rates applicable to long-term capital gains. If you are a non-corporate U.S. Holder, you should consult your tax adviser to determine whether you are subject to any special rules that limit your ability to be taxed at these favorable rates.

Taxation of Capital Gains

You will recognize gain or loss for U.S. federal income tax purposes on the sale or exchange of ADSs or equity shares. The gain or loss will generally be U.S. source capital gain or loss, which will be long-term capital gain or loss if you have owned such ADSs or equity shares for more than one year. You should consult your tax adviser about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

Under certain circumstances as described under “Taxation—Indian Tax—Taxation on sale of ADSs or Equity Shares,” you may be subject to Indian tax upon the disposition of equity shares. You should consult your tax adviser with respect to your ability to credit this Indian tax against your U.S. federal income tax liability.

Passive Foreign Investment Company Rules

In general, a foreign corporation is a PFIC for any taxable year in which (i) 75.0% or more of its gross income consists of passive income (such as dividends, interest, rents, royalties and capital gains) or (ii) 50.0% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. There are certain exceptions for active business income, including exceptions for certain income earned by foreign active banks and insurance companies. Based upon certain proposed Treasury regulations, which were proposed to be effective for taxable years beginning after December 31, 1994, we do not believe we were a PFIC for our taxable year that ended March 31, 2017. Because there can be no assurance that the proposed treasury regulations will be finalized in their current form and the manner of the application of the proposed treasury regulations is not entirely clear, and because the composition of our income and assets will vary over time and our PFIC status for any taxable year will depend, in large part, on the extent to which our income and assets will be considered active under the exception for active banks, there can be no assurance that we will not be considered a PFIC for any taxable year.

If we were a PFIC for any taxable year during which you owned ADSs or equity shares, you may be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of ADSs or equity shares by you would be allocated ratably over your holding period for such ADSs or equity shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amounts. Further, to the extent that any distribution received by you on your ADSs or equity shares exceeds 125% of the average of the annual distributions on such ADSs or equity shares received during the preceding three years or your holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, as described above in this paragraph.

If we were a PFIC for any year during which you owned ADSs or equity shares, we generally would continue to be treated as a PFIC with respect to such ADSs or equity shares for all succeeding years during which you owned the ADSs or equity shares, even if we ceased to meet the threshold requirements for PFIC status.

Alternatively, if we were a PFIC and if ADSs or equity shares were "regularly traded" on a "qualified exchange," you could make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. ADSs or equity shares would be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of ADSs or equity shares, as the case may be, were traded on a qualified exchange on at least 15 days during each calendar quarter. The New York Stock Exchange, on which ADSs are listed, is a qualified exchange for this purpose. A foreign exchange is a "qualified exchange" if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met.

If you make the mark-to-market election (assuming the election is available), you generally will recognize as ordinary income any excess of the fair market value of ADSs or equity shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of ADSs or equity shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If you make the election, your tax basis in ADSs or equity shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ADSs or equity shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election).

In addition, if we were a PFIC or, with respect to you, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the favorable tax rates with respect to dividends paid to certain non-corporate U.S. Holders, described above under "—Taxation of Dividends", would not apply.

If we are a PFIC for any taxable year during which you owned our ADSs or equity shares, you will generally be required to file IRS Form 8621 with your annual U.S. federal income tax returns, subject to certain exceptions.

You should consult your tax adviser regarding whether we are or were a PFIC and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Presentation Of Financial Information

Pursuant to the issuance and listing of our securities in the United States under registration statements filed with the United States Securities Exchange Commission, we file annual reports on Form 20-F, which must include financial statements prepared under generally accepted accounting principles in the United States (U.S. GAAP) or financial statements prepared according to a comprehensive body of accounting principles with a reconciliation of net income and stockholders' equity to U.S. GAAP. When we first listed our securities in the United States, Indian GAAP was not considered a comprehensive body of accounting principles under the United States securities laws and regulations. Accordingly, our annual reports on Form 20-F for fiscal years 2000 through 2005 have included U.S. GAAP financial statements. However, pursuant to a significant expansion of Indian accounting standards, Indian GAAP constitutes a comprehensive body of accounting principles. Accordingly, from fiscal 2006 onwards we have included in the annual report consolidated financial statements prepared according to Indian GAAP, which varies in certain respects from U.S. GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements herein. For selected financial data in accordance with U.S. GAAP see "*Selected Consolidated Financial and Operating Data—Selected U.S. GAAP Financial Data*".

The data for fiscal 2013 through fiscal 2017 have been derived from our consolidated financial statements. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP including the Accounting Standards (AS) issued by Institute of Chartered Accountants of India, guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to relevant companies. In the case of foreign subsidiaries, Generally Accepted Accounting Principles as applicable to the respective subsidiaries are followed.

The consolidated financial statements for fiscal 2013 and fiscal 2014 were audited by S. R. Batliboi & Co. LLP, Chartered Accountants, and for fiscal 2015 through fiscal 2017 by B S R & Co. LLP, Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India. The consolidated financial statements for fiscal 2013 through fiscal 2017 have also been audited by KPMG, an independent registered public accounting firm in India, in accordance with the standards of the United States Public Company Accounting Oversight Board. Our financial statements as per Indian GAAP along with the reconciliation of net profit and stockholders' equity to U.S. GAAP, including the notes to these financial statements, audited by KPMG are set forth at the end of this annual report.

Under U.S. GAAP, the consolidation of ICICI's majority ownership interest in two insurance companies, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, because of substantive participative rights retained by the minority shareholders, is accounted for by the equity method. Under Indian GAAP, these insurance subsidiaries are fully consolidated.

Although we have translated in this annual report certain rupee amounts into dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into dollars at any particular rate, the rates stated earlier in this annual report, or at all. Except in the section on “Market Price Information”, all translations from rupees to U.S. dollars are based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2017. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2017 was Rs. 64.85 per US$ 1.00.

Additional Information

Memorandum and Articles of Association

Objects and Purposes

Pursuant to Clause III.A.1 of ICICI Bank's Memorandum of Association, ICICI Bank's main objective is to, inter alia, carry on the business of banking in any part of India or outside India.

Directors' Powers

ICICI Bank's directors' powers include the following:

- Article 140 of the Articles of Association provides that no director of ICICI Bank shall, as a director, take any part in the discussion of or vote on any contract or arrangement if such director is directly or indirectly concerned or interested in such contract or arrangement
- Directors have no powers to vote in absence of a quorum.
- Article 83 of the Articles of Association provides that the directors may by a resolution passed at a meeting of the Board of Directors, borrow moneys and raise and secure the payment of amounts in a manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of ICICI Bank (both present and future) including our uncalled capital.

Amendment to Rights of Holders of Equity Shares

Any change to the existing rights of the equity holders can be made only by amending the Articles of Association which would require a special resolution of the shareholders, passed by not less than three times the number of votes cast against the resolution.

Change in Control Provisions

Article 59 of the Articles of Association provides that the Board of Directors may at its discretion decline to register or acknowledge any transfer of shares in respect of shares upon which we have a lien or while any money in respect of the shares desired to be transferred on any of them remain unpaid. Moreover, the Board of Directors may refuse to register the transfer of any shares if the total nominal value of the shares or other securities intended to be transferred by any person would, together with the total nominal value of any shares held in ICICI Bank, exceed 1% of the paid-up equity share capital of ICICI Bank or if the Board of Directors is satisfied that as a result of such transfer, it would result in the change in the Board of Directors or change in the controlling interest of ICICI Bank and that such change would be prejudicial to the interests of ICICI Bank. However, under the Indian Companies Act, the enforceability of such transfer restrictions is unclear.

Recent Amendments to Memorandum and Articles of Association

The last amendment as effected to the Memorandum of Association is as follows:

Pursuant to a resolution passed by shareholders on June 12, 2017 by way of postal ballot for issuance of bonus shares in the ratio of one equity share for every ten existing equity shares held and the consequential increase in the Authorized Capital of the Bank, section 5 of our memorandum was amended so that the authorized share capital of the ICICI Bank was altered to Rs. 25,000,000,000 divided into 10,000,000,000 equity shares of Rs. 2 each, 15,000,000 shares of Rs. 100 each and 350 preference shares of Rs. 10 million each.

The last amendments as effected to the Articles of Association are as follows:

Special Resolution passed by shareholders by way of a postal ballot on June 12, 2017:

Article 5(a) was amended on account of bonus issue of one equity share for every ten existing equity shares held and the consequential increase in the Authorized Capital of the Bank and was substituted as follows:

The Authorized Capital of the Company is Rs. 25,000,000,000 divided into :

(i) 10,000,000,000 equity shares of Rs. 2 each.

(ii) 15,000,000 shares of Rs. 100 each which shall be of such class and with rights, privileges, conditions or restrictions as may be determined by the company in accordance with these presents and subject to the legislative provisions for the time being in that behalf, and

(iii) 350 preference shares of Rs. 10,000,000 each.

Special resolution passed by shareholders at the AGM on June 30, 2014:

Article 56(d) was amended to enhance the scope of the already existing guidelines to include the act of acquisition of shares or voting rights by a person acting in concert, relative and associate enterprise and the revised Article states that Acquisition of shares or voting rights therein, by a person directly or indirectly, by himself or acting in concert with any other person which taken together with shares and voting rights, if any, held by him or his relative or associate enterprise or person acting in concert with him, makes the applicant to hold five per cent or more of the paid-up share capital of the Bank or entitles him to exercise five per cent or more of the voting rights in the Bank, should be effected by such person(s) after obtaining prior approval of Reserve Bank of India. The Article also contains the definitions of associate enterprise, relative, persons deemed to be acting in concert and joint venture.

Article 113(b) was amended to include the power given to the Reserve Bank of India to increase, in a phased manner, ceiling on voting rights on poll from ten per cent to twenty six per cent. The revised Article states that on a poll, the voting rights of Members shall be as provided in Section 47 of the Companies Act, 2013, but will be subject to the ceiling of ten per cent of the total voting rights or such other percentage as may be stipulated by Section 12(2) of the Banking Regulation Act or under any of the proviso or explanation to Section 12 of the Banking Regulation Act.

The Memorandum and Articles of Association reflecting the above revisions are attached as exhibits to this annual report.

Documents on Display

The documents concerning us which are referred to herein may be inspected at the Securities and Exchange Commission (“SEC”). You may read and copy any document filed or furnished by us at the SEC’s public reference rooms in Washington D.C., New York and Chicago, Illinois or obtain them by mail upon payment of prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information. The SEC also maintains a website at www.sec.gov, which contains, in electronic form, each of the reports and other information that we have filed electronically with the SEC. Information about ICICI Bank is also available on the web at www.icicibank.com.

Incorporation by Reference

We incorporate by reference the information disclosed under “Description of Equity Shares” and “Description of the American Depositary Shares” in ICICI Bank’s Registration Statement on Form F-1 (File No. 333-30132).

EXHIBIT INDEX

Exhibit No.	Description of Document
1.1	ICICI Bank Memorandum of Association, as amended.
2.1	Deposit Agreement among ICICI Bank, Deutsche Bank and the holders from time to time of American Depositary Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt) (incorporated herein by reference to ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132)).
2.2	Letter Agreements dated February 19, 2002 and April 1, 2002 (incorporated herein by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2002 filed on September 30, 2002), Letter Agreement dated March 8, 2005 (incorporated by reference to ICICI Bank's Registration Statement on Form F-3 (File No. 333-121664)) and Letter Agreement dated November 4, 2011 (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for fiscal 2012) amending and supplementing the Deposit Agreement.
2.3	Letter Agreement dated June 2, 2016, supplementing the Letter Agreement dated November 4, 2011(incorporated by reference to ICICI Bank's Annual Report on Form 20-F for fiscal 2016).
2.4	ICICI Bank's Specimen Certificate for Equity Shares.
4.1	ICICI Bank's Employee Stock Option Plan, as amended.
8.1	List of Subsidiaries (included under "Business—Subsidiaries, Associates and Joint Ventures" herein).
11.1	Code of Business Conduct and Ethics, as amended.
12.1	Certification of the Managing Director and Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act.
12.2	Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act.
13.1	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on our behalf.

For ICICI BANK LIMITED

By:/s/ Rakesh Jha
Name: Mr. Rakesh Jha
Title: Chief Financial Officer

Place: Mumbai
Date: July 31, 2017

ICICI Bank Limited and subsidiaries

Consolidated Financial Statements

For the year ended March 31, 2016

and March 31, 2017 together

with Auditors' Report

Index to Consolidated Financial Statements

Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

ICICI Bank Limited

We have audited the accompanying consolidated balance sheets of ICICI Bank Limited and subsidiaries (the 'Company') as of March 31, 2017 and 2016, and the related consolidated profit and loss accounts and consolidated cash flow statements for each of the years in the three-year period ended March 31, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2017, in conformity with generally accepted accounting principles in India.

Accounting principles generally accepted in India vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 20 of Schedule 18B to the consolidated financial statements.

We draw attention to Note 19 to the consolidated financial statements, which provides details with regard to the creation of provision relating to Funded Interest Term Loan through utilization of reserves, as permitted by Reserve Bank of India vide letter dated January 6, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 31, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG

Mumbai, India

May 03, 2017, except as to additional notes in Schedule 18B

As to which the date is July 31, 2017

Report of Independent Registered Public Accounting Firm – Internal Controls over Financial Reporting

The Board of Directors and Stockholders

ICICI Bank Limited

We have audited ICICI Bank Limited and subsidiaries' (the 'Company') internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting in the accompanying Form 20-F for the year ended March 31, 2017. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2017 and 2016, and the related consolidated profit and loss accounts and consolidated cash flow statements for each of the years in the three-year period ended March 31, 2017, and our report dated May 03, 2017 except as to additional notes in Schedule 18B as to which the date is July 31, 2017, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG

Mumbai, India

July 31, 2017

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ICICI Bank Limited and subsidiaries

Consolidated balance sheet

(Rs. in thousands)

	Schedule	At March 31, 2017	March 31, 2016
CAPITAL AND LIABILITIES			
Capital	*1*	11,651,071	11,631,656
Employees stock options outstanding		62,562	67,019
Reserves and surplus	*2*	1,034,606,322	929,408,451
Minority interest	*2A*	48,653,128	33,556,448
Deposits	*3*	5,125,872,643	4,510,773,918
Borrowings	*4*	1,882,867,563	2,203,776,561
Liabilities on policies in force		1,154,974,441	970,533,948
Other liabilities and provisions	*5*	601,738,910	527,813,976
TOTAL CAPITAL AND LIABILITIES		**9,860,426,640**	**9,187,561,977**
ASSETS			
Cash and balances with Reserve Bank of India	*6*	318,912,598	272,775,620
Balances with banks and money at call and short notice	*7*	485,996,088	377,584,082
Investments	*8*	3,045,017,431	2,860,440,872
Advances	*9*	5,153,173,140	4,937,291,077
Fixed assets	*10*	93,379,618	87,134,646

Other assets	*11*	763,947,765	652,335,680
TOTAL ASSETS		**9,860,426,640**	**9,187,561,977**
Contingent liabilities	*12*	**13,078,415,868**	**11,176,470,163**
Bills for collection		**227,555,510**	**217,500,551**
Significant accounting policies and notes to accounts	*17 & 18*		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

ICICI Bank Limited and subsidiaries

Consolidated profit and loss account

(Rs. in thousands, except per share data)

	Schedule	Year ended March 31, 2017	Mar 201
I. INCOME			
Interest earned	*13*	609,399,802	592,
Other income	*14*	524,576,505	421,
TOTAL INCOME		**1,133,976,307**	**1,01**
II. EXPENDITURE			
Interest expended	*15*	348,358,328	339,
Operating expenses	*16*	481,699,705	407,
Provisions and contingencies (refer note 18.7)		190,514,979	156,
TOTAL EXPENDITURE		**1,020,573,012**	**904,**
III. PROFIT/(LOSS)			
Net profit for the year		113,403,295	109,
Less: Minority interest		11,519,450	7,46
Net profit after minority interest		**101,883,845**	**101,**
Profit brought forward		198,210,764	198,

TOTAL PROFIT/(LOSS)	**300,094,609**	**300,**
IV. APPROPRIATIONS/TRANSFERS		
Transfer to Statutory Reserve	24,503,000	24,3
Transfer to Reserve Fund	9,824	9,34
Transfer to Capital Reserve	52,933,000	23,8
Transfer to/(from) Investment Reserve Account	--	--
Transfer to Special Reserve	4,867,000	13,8
Transfer to/(from) Revenue and other reserves	446,499	5,20
Dividend (including corporate dividend tax) for the previous year paid during the year	(62,410)	38,5

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

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ICICI Bank Limited and subsidiaries

Consolidated cash flow statement

(Rs. in thousands)

Particulars		**Year ended** March 31, 2017	March 31, 2016	March 31, 2015
Cash flow from/(used in) operating activities				
Profit before taxes		126,574,260	135,574,704	176,435,930
Adjustments for:				
Depreciation and amortisation		10,444,420	9,567,289	9,102,686
Net (appreciation)/depreciation on investments[1]		(57,426,431)	(34,641,416)	324,940
Provision in respect of non-performing and other assets		157,937,006	88,308,555	36,181,416
General provision for standard assets		(3,733,753)	3,175,576	4,053,835
Provision for contingencies & others		2,257,433	28,584,825	999,282
(Profit)/loss on sale of fixed assets		14,230	(264,335)	(33,994)
Employees stock option grants		180,903	142,309	94,432
	(i)	**236,248,068**	**230,447,507**	**227,158,527**
Adjustments for:				
(Increase)/decrease in investments		(67,356,023)	(40,179,999)	(144,940,347)
(Increase)/decrease in advances		(411,803,233)	(648,486,064)	(567,661,237)
Increase/(decrease) in deposits		615,098,725	651,221,453	264,425,642
(Increase)/decrease in other assets		(70,639,536)	(24,030,865)	57,627,927
Increase/(decrease) in other liabilities and provisions		283,839,854	132,466,667	94,006,046

	(ii)	**349,139,787**	**70,991,192**	**(296,541,969)**
Refund/(payment) of direct taxes	(iii)	(59,032,520)	(64,985,465)	(53,347,975)
Net cash flow from/(used in) operating activities((i)+(ii)+(iii))	**(A)**	**526,355,335**	**236,453,234**	**(122,731,417)**
Cash flow from/(used in) investing activities				
Purchase of fixed assets		(13,167,144)	(8,483,857)	(12,446,322)
Proceeds from sale of fixed assets		156,340	703,145	367,499
(Purchase)/sale of held to maturity securities		(3,046,583)	(110,411,892)	(117,238,214)
Net cash flow from/(used in) investing activities	**(B)**	**(16,057,387)**	**(118,192,604)**	**(129,317,037)**
Cash flow from/(used in) financing activities				
Proceeds from issue of share capital (including ESOPs)		1,772,579	2,824,200	3,477,284
Proceeds from long-term borrowings		403,761,367	455,604,563	439,781,096
Repayment of long-term borrowings		(508,077,502)	(319,709,230)	(271,340,761)
Net proceeds/(repayment) of short-term borrowings		(217,920,893)	(46,055,502)	107,195,242
Dividend and dividend tax paid		(34,230,910)	(34,524,887)	(30,840,867)
Net cash flow from/(used in) financing activities	**(C)**	**(354,695,359)**	**58,139,144**	**248,271,994**
Effect of exchange fluctuation on translation reserve	**(D)**	**(1,053,605)**	**(2,411,769)**	**(2,434,107)**

ICICI Bank Limited and subsidiaries

Consolidated cash flow statement ***(Continued)***

(Rs. in thousands)

Particulars		**Year ended March 31, 2017**	**March 31, 2016**	**March 31, 2015**
Net increase/(decrease) in cash and cash equivalents (C) + (D)	**(A) + (B) +**	**154,548,984**	**173,988,005**	**(6,210,567)**
Cash and cash equivalents at beginning of the year		**650,359,702**	**476,371,697**	**482,582,264**
Cash and cash equivalents at end of the year		**804,908,686**	**650,359,702**	**476,371,697**

1. Includes gain for the year ended March 31, 2017 on sale of a part of equity investment in ICICI Prudential Life Insurance Company Limited, a subsidiary, in the initial public offer (IPO) (gain for the year ended March 31, 2016 on sale of a part of equity investments in its subsidiaries, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited).

2. Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet

SCHEDULE 1 - CAPITAL

(Rs. in thousands)

	At March 31, 2017	**March 31**
Authorised capital		
6,375,000,000 equity shares of Rs. 2 each (March 31, 2016: 6,375,000,000 equity shares of Rs. 2 each)	12,750,000	12,750,00
15,000,000 shares of Rs. 100 each (March 31, 2016: 15,000,000 shares of Rs. 100 each)[1]	1,500,000	1,500,000
350 preference shares of Rs. 10 million each (March 31, 2016: 350 preference shares of Rs. 10 million each)[2]	3,500,000	3,500,000
Equity share capital		
Issued, subscribed and paid-up capital		
5,814,768,430 equity shares of Rs. 2 each (March 31, 2016: 5,797,244,645 equity shares)	11,629,537	11,594,48
Add: 9,707,705 equity shares of Rs. 2 each (March 31, 2016: 17,523,785 equity shares) issued pursuant to exercise of employee stock options	19,415	35,04
	11,648,952	**11,629,53**
Add: 266,089 equity shares of Rs. 10 each forfeited (March 31, 2016: 266,089 equity shares)	2,119	2,119
TOTAL CAPITAL	**11,651,071**	**11,631,65**

1. These shares will be of such class and with such rights, privileges, conditions or restrictions as may be determined by the Bank in accordance with the Articles of Association of the Bank and subject to the legislative provisions in force for the time being in that behalf.

2. Pursuant to RBI circular dated March 30, 2010, the issued and paid-up preference shares are grouped under Schedule 4- "Borrowings".

ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet *(Continued)*

SCHEDULE 2 - RESERVES AND SURPLUS

(Rs. in thousands)

	At	
	March 31, 2017	**March 31, 2016**
I. Statutory reserve		
Opening balance	187,521,519	163,205,519
Additions during the year	24,503,000	24,316,000
Deductions during the year	--	--
Closing balance	212,024,519	187,521,519
II. Special reserve		
Opening balance	83,314,700	69,454,700
Additions during the year	4,867,000	13,860,000
Deductions during the year	--	--
Closing balance	88,181,700	83,314,700
III. Securities premium		
Opening balance	321,993,492	319,054,660
Additions during the year[1]	1,938,525	2,938,832
Deductions during the year	--	--
Closing balance	323,932,017	321,993,492

IV. Unrealised investment reserve[2]			
Opening balance	(4,444)	35,153	
Additions during the year	164,889	88,956	
Deductions during the year	--	(128,553)	
Closing balance	160,445	(4,444)	
V. Capital reserve			
Opening balance	49,918,016	26,095,641	
Additions during the year[3]	52,933,000	23,822,375	
Deductions during the year	--	--	
Closing balance[4]	102,851,016	49,918,016	
VI. Foreign currency translation reserve			
Opening balance	20,176,609	22,999,128	
Additions during the year	--	6,589,367	
Deductions during the year[5]	(1,053,605)	(9,411,886)	
Closing balance	19,123,004	20,176,609	
VII. Revaluation reserve (refer note 18.16)			
Opening balance	28,174,747		--
Additions during the year[6]	2,989,949	28,174,747	
Deductions during the year[7]	(513,583)	--	
Closing balance	30,651,113	28,174,747	

	At March 31, 2017	March 31, 2016
VIII. Reserve fund		
Opening balance	46,034	36,694
Additions during the year[8]	9,824	9,340
Deductions during the year	--	--
Closing balance	55,858	46,034
IX. Revenue and other reserves		
Opening balance	40,057,014	36,214,248
Additions during the year	3,967,610	5,618,430
Deductions during the year	(1,443,445)	(1,775,664)
Closing balance[9,10]	42,581,179	40,057,014
X. Balance in profit and loss account	215,045,471	198,210,764
TOTAL RESERVES AND SURPLUS	**1,034,606,322**	**929,408,451**

1. Includes Rs. 1,753.2 million (March 31, 2016: Rs. 2,789.2 million) on exercise of employee stock options.
2. Represents unrealised profit/(loss) pertaining to the investments of venture capital funds.
3. Includes appropriations made by the Bank for profit on sale of investments in held-to-maturity category, net of taxes and transfer to Statutory Reserve and profit on sale of land and buildings, net of taxes and transfer to Statutory Reserve.
4. Includes capital reserve on consolidation amounting to Rs. 79.1 million (March 31, 2016: Rs. 79.1 million).
5.

Includes exchange profit on repatriation of retained earnings from overseas branches of the Bank for the year ended March 31, 2016.

6. Represents gain on revaluation of premises carried out by the Bank and ICICI Home Finance Company Limited.

7. Represents amount transferred by the Bank from Revaluation Reserve to General Reserve on account of incremental depreciation charge on revaluation amounting to Rs. 494.9 million and revaluation surplus on assets sold amounting to Rs. 18.7 million.

8. Includes appropriations made to Reserve Fund in accordance with regulations applicable to Sri Lanka branch.

9. Includes unrealised profit/(loss), net of tax, of Rs. (401.5) million (March 31, 2016: Rs. (530.9) million) pertaining to the investments in the available-for-sale category of ICICI Bank UK PLC.

10. Includes restricted reserve of Rs. 4.5 million (March 31, 2016: Rs. 1,265.0 million) primarily relating to lapsed contracts of the life insurance subsidiary.

ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet *(Continued)*

SCHEDULE 2A - MINORITY INTEREST

(Rs. in thousands)

	At March 31, 2017	**March 31, 2016**
Opening minority interest	33,556,448	25,058,148
Subsequent increase/(decrease) during the year	15,096,680	8,498,300
CLOSING MINORITY INTEREST	**48,653,128**	**33,556,448**

SCHEDULE 3 - DEPOSITS

(Rs. in thousands)

	At March 31, 2017	**March 31, 2016**
A. I. Demand deposits		
i) From banks	52,732,148	39,713,920
ii) From others	715,167,490	563,675,244
II. Savings bank deposits	1,790,098,258	1,444,551,013
III. Term deposits		
i) From banks	97,676,104	95,975,771

ii) From others	2,470,198,643	2,366,857,970
TOTAL DEPOSITS	**5,125,872,643**	**4,510,773,918**
B. I. Deposits of branches in India	4,826,135,485	4,097,654,748
II. Deposits of branches/subsidiaries outside India	299,737,158	413,119,170
TOTAL DEPOSITS	**5,125,872,643**	**4,510,773,918**

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ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet ***(Continued)***

SCHEDULE 4 - BORROWINGS

(Rs. in thousands)

	At March 31, 2017	March 31, 2
I. Borrowings In India		
i) Reserve Bank of India	18,069,000	115,411,000
ii) Other banks	56,390,754	76,202,937
iii) Other institutions and agencies		
a) Government of India	--	--
b) Financial institutions	150,138,907	198,462,255
iv) Borrowings in the form of		
a) Deposits	2,909,950	2,866,149
b) Commercial paper	12,071,154	8,701,661
c) Bonds and debentures (excluding subordinated debt)	228,456,559	119,263,431
v) Application money-bonds	--	--
vi) Capital instruments		
a) Innovative Perpetual Debt Instruments (IPDI) (qualifying as additional Tier 1 capital)	39,430,000	13,010,000
b) Hybrid debt capital instruments issued as bonds/debentures (qualifying as Tier 2 capital)	84,982,344	98,152,555
c) Redeemable Non-Cumulative Preference Shares (RNCPS) (350 RNCPS of Rs. 10.0 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation, redeemable at par on April 20, 2018)	3,500,000	3,500,000
d) Unsecured redeemable debentures/bonds	166,448,635	193,976,348

(subordinated debt included in Tier 2 capital)		
TOTAL BORROWINGS IN INDIA	**762,397,303**	**829,546,336**
II. Borrowings outside India		
i) Capital instruments		
a) Innovative Perpetual Debt Instruments (IPDI) (qualifying as additional Tier 1 capital)	--	22,517,983
b) Hybrid debt capital instruments issued as bonds/debentures (qualifying as Tier 2 capital)	60,071,450	65,233,121
c) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	9,716,800	9,916,081
ii) Bonds and notes	442,010,859	492,616,248
iii) Other borrowings[1]	608,671,151	783,946,792
TOTAL BORROWINGS OUTSIDE INDIA	**1,120,470,260**	**1,374,230,2**
TOTAL BORROWINGS	**1,882,867,563**	**2,203,776,5**

1. Includes borrowings guaranteed by Government of India amounting to Nil (March 31, 2016: Rs. 5,132.2 million).
2. Secured borrowings in I and II above amount to Rs. 166,827.0 million (March 31, 2016: Rs. 169,644.9 million) excluding borrowings under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

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ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet *(Continued)*

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(Rs. in thousands)

		At	
		March 31, 2017	**March 31, 2016**
I.	Bills payable	72,170,177	48,422,363
II.	Inter-office adjustments (net)	1,759,072	1,295,074
III.	Interest accrued	35,011,965	35,086,739
IV.	Sundry creditors	233,330,549	164,490,577
V.	General provision for standard assets	25,518,660	29,178,492
VI.	Others (including provisions)[1,2,3]	233,948,487	249,340,731
	TOTAL OTHER LIABILITIES AND PROVISIONS	**601,738,910**	**527,813,976**

1. Includes collective contingency and related reserve amounting to Nil (March 31, 2016: Rs. 36,000.0 million).
2. Includes provision for standard loans of the Bank amounting to Rs. 21,023.8 million (March 31, 2016: Rs. 7,061.4 million).
3. Includes for the year ended March 31, 2016, proposed dividend and corporate dividend tax amounting Rs. 29,075.2 million and Rs. 3,786.8 million respectively. Includes for the year ended March 31, 2017, corporate dividend tax payable on account of subsidiaries amounting to Rs. 788.9 million. For information on proposed dividend and corporate dividend tax of the Bank for the year ended March 31, 2017 refer note 18.18 Proposed dividend and issue of bonus shares.

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(Rs. in thousands)

	At March 31, 2017	**March 31, 2016**
I. Cash in hand (including foreign currency notes)	73,825,506	67,477,373
II. Balances with Reserve Bank of India in current accounts	245,087,092	205,298,247
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	**318,912,598**	**272,775,620**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(Rs. in thousands)

	At March 31, 2017	**March 31,**
I. In India		
i) Balances with banks		
a) in current accounts	4,465,023	1,905,925
b) in other deposit accounts	16,102,847	9,791,225
ii) Money at call and short notice		
a) with banks	285,000,000	66,771,325
b) with other institutions	8,730,636	--
TOTAL	**314,298,506**	**78,468,475**
II. Outside India		
i) in current accounts	104,677,741	134,753,65
ii) in other deposit accounts	17,843,526	69,838,416
iii) Money at call and short notice	49,176,315	94,523,537
TOTAL	**171,697,582**	**299,115,60**

TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**485,996,088**	**377,584,08**

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ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet *(Continued)*

SCHEDULE 8 - INVESTMENTS

(Rs. in thousands)

	At	
	March 31, 2017	**March 31, 2016**
I. Investments in India [net of provisions]		
i) Government securities	1,401,496,218	1,436,810,801
ii) Other approved securities	--	--
iii) Shares (includes equity and preference shares)[1]	111,508,062	78,470,821
iv) Debentures and bonds	258,576,027	205,599,336
v) Assets held to cover linked liabilities of life insurance business	878,783,451	752,957,948
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts, certificate of deposits)	286,345,252	271,392,503
TOTAL INVESTMENTS IN INDIA	**2,936,709,010**	**2,745,231,409**
II. Investments outside India [net of provisions]		
i) Government securities	54,360,645	61,032,012
ii) Others (equity shares, bonds and certificate of deposits)	53,947,776	54,177,451
TOTAL INVESTMENTS OUTSIDE INDIA	**108,308,421**	**115,209,463**
TOTAL INVESTMENTS	**3,045,017,431**	**2,860,440,872**

A. Investments in India		
Gross value of investments[2]	2,945,678,115	2,760,752,923
Less: Aggregate of provision/depreciation/(appreciation)	8,969,105	15,521,514
Net investments	**2,936,709,010**	**2,745,231,409**
B. Investments outside India		
Gross value of investments	110,262,601	117,260,970
Less: Aggregate of provision/depreciation/(appreciation)	1,954,180	2,051,507
Net investments	**108,308,421**	**115,209,463**
TOTAL INVESTMENTS	**3,045,017,431**	**2,860,440,872**

1. Includes cost of investment in associates amounting to Rs. 3,759.2 million (March 31, 2016: Rs. 3,696.1 million).

2. Includes net appreciation amounting to Rs. 109,657.3 million (March 31, 2016: Rs. 69,077.9 million) on investments held to cover linked liabilities of life insurance business.

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ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet ***(Continued)***

SCHEDULE 9 - ADVANCES (net of provisions)

(Rs. in thousands)

	At March 31, 2017	**March 31, 2016**
A. i) Bills purchased and discounted[1]	216,853,688	143,811,829
ii) Cash credits, overdrafts and loans repayable on demand	1,027,910,024	849,039,557
iii) Term loans	3,908,409,428	3,944,439,691
TOTAL ADVANCES	**5,153,173,140**	**4,937,291,077**
B. i) Secured by tangible assets (includes advances against book debts)	3,998,058,632	3,948,314,956
ii) Covered by bank/government guarantees	94,769,402	103,079,622
iii) Unsecured	1,060,345,106	885,896,499
TOTAL ADVANCES	**5,153,173,140**	**4,937,291,077**
C. I. Advances in India		
i) Priority sector	1,065,527,064	924,348,694
ii) Public sector	129,991,400	44,329,101
iii) Banks	3,448,842	283,403
iv) Others	2,778,374,653	2,525,626,771
TOTAL ADVANCES IN INDIA	**3,977,341,959**	**3,494,587,969**

II. Advances outside India		
i) Due from banks	5,705,535	18,204,673
ii) Due from others		
a) Bills purchased and discounted	69,699,735	42,433,900
b) Syndicated and term loans	735,318,062	1,013,131,071
c) Others	365,107,849	368,933,464
TOTAL ADVANCES OUTSIDE INDIA	**1,175,831,181**	**1,442,703,108**
TOTAL ADVANCES	**5,153,173,140**	**4,937,291,077**

1. Net of bills rediscounted of Nil (March 31, 2016: Rs. 14,250.0 million).

ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet *(Continued)*

SCHEDULE 10 - FIXED ASSETS

(Rs. in thousands)

	At	
	March 31, 2017	**March 31, 2016**
I. Premises		
Gross block		
At cost at March 31 of preceding year	80,650,323	51,764,728
Additions during the year[1]	8,049,900	29,609,849
Deductions during the year	(606,768)	(724,254)
Closing balance	**88,093,455**	**80,650,323**
Less: Depreciation to date[2]	(14,749,865)	(13,358,550)
Net block[3]	**73,343,590**	**67,291,773**
II. Other fixed assets (including furniture and fixtures)		
Gross block		
At cost at March 31 of preceding year	59,567,170	55,271,663
Additions during the year	7,487,340	7,510,219
Deductions during the year	(3,215,110)	(3,214,712)
Closing balance	**63,839,400**	**59,567,170**
Less: Depreciation to date[4]	(46,217,995)	(42,138,931)
Net block	**17,621,405**	**17,428,239**

III. Assets given on lease

Gross block		
At cost at March 31 of preceding year	17,299,544	17,299,544
Additions during the year	--	--
Deductions during the year	(394,916)	--
Closing balance	**16,904,628**	**17,299,544**
Less: Depreciation to date, accumulated lease adjustment and provisions[5]	(14,490,005)	(14,884,909)
Net block	**2,414,623**	**2,414,635**
TOTAL FIXED ASSETS	**93,379,618**	**87,134,646**

1. At March 31, 2017, includes Rs. 2,989.9 million on account of revaluation carried out by the Bank and ICICI Home Finance Company Limited (March 31, 2016: revaluation carried out by the Bank Rs. 28,174.7 million).

2. Includes depreciation charge amounting to Rs. 1,937.7 million for the year ended March 31, 2017 (year ended March 31, 2016: Rs. 1,513.3 million), including depreciation charge of Rs. 494.9 million for the year ended March 31, 2017 (year ended March 31, 2016: Nil) on account of revaluation.

3. Includes assets of Rs. 72.0 million of the Bank (March 31, 2016: Rs. 13.6 million) which are held for sale.

4. Includes depreciation charge amounting to Rs. 7,178.6 million for the year ended March 31, 2017 (year ended March 31, 2016: Rs. 6,725.6 million).

5. The depreciation charge/lease adjustment is an insignificant amount for the year ended March 31, 2017 (year ended March 31, 2016: Rs. 192.2 million).

ICICI Bank Limited and subsidiaries

Schedules forming part of the consolidated balance sheet *(Continued)*

SCHEDULE 11 – OTHER ASSETS

(Rs. in thousands)

		At March 31, 2017	**March 31, 2016**
I.	Inter-office adjustments (net)	--	--
II.	Interest accrued	72,634,680	77,457,994
III.	Tax paid in advance/tax deducted at source (net)	62,954,769	35,319,277
IV.	Stationery and stamps	29,003	1,710
V.	Non-banking assets acquired in satisfaction of claims[1,2,3]	25,527,485	18,158,876
VI.	Advance for capital assets	1,973,768	1,454,762
VII.	Deposits	13,826,899	13,542,444
VIII.	Deferred tax asset (net) (refer note 18.10)	56,128,036	49,611,861
IX.	Deposits in Rural Infrastructure and Development Fund	241,126,021	280,661,817
X.	Others[4]	289,747,104	176,126,939
TOTAL OTHER ASSETS		**763,947,765**	**652,335,680**

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

2. During the year ended March 31, 2017 the Bank acquired assets amounting to Rs. 16,252.2 million (year ended March 31, 2016: Rs. 17,218.5 million) in satisfaction of claims under debt-asset swap transactions with certain borrowers. Of these, assets amounting to Rs. 500.3 million were sold during the year ended March 31, 2017 (year

ended March 31, 2016: Nil).

3. Represents balance net of provision held by the Bank amounting to Rs. 7,401.2 million at March 31, 2017 (March 31, 2016: Nil).

4. Includes goodwill on consolidation amounting to Rs. 1,126.2 million (March 31, 2016: Rs. 1,257.0 million).

SCHEDULE 12 - CONTINGENT LIABILITIES

(Rs. in thousands)

		At	
		March 31, 2017	**March 31, 2016**
I.	Claims against the Group not acknowledged as debts	52,682,642	41,298,568
II.	Liability for partly paid investments	912,455	12,455
III.	Liability on account of outstanding forward exchange contracts[1]	4,410,995,113	3,740,067,266
IV.	Guarantees given on behalf of constituents		
a) In India		723,437,252	750,021,991
b) Outside India		210,871,211	262,980,560
V.	Acceptances, endorsements and other obligations	478,522,536	474,131,095
VI.	Currency swaps[1]	411,068,964	468,883,265
VII.	Interest rate swaps, currency options and interest rate futures[1]	6,746,703,570	5,385,604,359
VIII.	Other items for which the Group is contingently liable	43,222,125	53,470,604
TOTAL CONTINGENT LIABILITES		**13,078,415,868**	**11,176,470,163**

1. Represents notional amount.

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ICICI Bank Limited and subsidiaries

Schedules forming part of the profit and loss account

SCHEDULE 13 - INTEREST EARNED

(Rs. in thousands)

		Year ended		
		March 31, **2017**	**March 31,** **2016**	**March 3** **2015**
I.	Interest/discount on advances/bills	420,803,718	415,508,980	380,597,
II.	Income on investments	154,560,724	143,244,729	137,799,
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	6,230,029	3,039,556	3,661,57
IV.	Others [1,2]	27,805,331	31,143,792	27,581,9
TOTAL INTEREST EARNED		**609,399,802**	**592,937,057**	**549,639,**

1. Includes interest on income tax refunds amounting to Rs. 4,544.1 million (March 31, 2016: Rs. 3,274.4 million, March 31, 2015: Rs.2,753.5 million).

2. Includes interest and amortisation of premium on non-trading interest rate swaps and foreign currency swaps.

SCHEDULE 14 - OTHER INCOME

(Rs. in thousands)

Year ended

	March 31, 2017	March 31, 2016	March 31, 2015
I. Commission, exchange and brokerage	96,343,758	87,696,973	83,938,513
II. Profit/(loss) on sale of investments (net)[1]	103,025,387	46,675,463	24,787,803
III. Profit/(loss) on revaluation of investments (net)	(3,809,897)	(4,248,050)	(167,456)
IV. Profit/(loss) on sale of land, buildings and other assets (net)[2]	(14,230)	264,335	33,994
V. Profit/(loss) on exchange/derivative transactions (net)[3]	15,150,619	23,794,434	22,073,402
VI. Premium and other operating income from insurance business	312,027,717	263,839,764	220,771,454
VII. Miscellaneous income (including lease income)[4]	1,853,151	2,998,484	1,084,647
TOTAL OTHER INCOME	**524,576,505**	**421,021,403**	**352,522,357**

1. Refer note 18.14- Sale of equity shareholding in insurance subsidiaries.
2. Includes profit/(loss) on sale of assets given on lease for the year ended March 31, 2016.
3. Includes exchange profit/(loss) on repatriation of retained earnings/capital from overseas branches/subsidiaries for the year ended March 31, 2016.
4. Includes share of profit/(loss) from associates of Rs. (41.9) million (March 31, 2016: Rs. 174.0 million, March 31, 2015: Rs. 198.3 million).

ICICI Bank Limited and subsidiaries

Schedules forming part of the profit and loss account *(Continued)*

SCHEDULE 15 - INTEREST EXPENDED

(Rs. in thousands)

	Year ended March 31, 2017	March 31, 2016	March 31, 2015
I. Interest on deposits	232,626,495	219,989,769	207,723,125
II. Interest on Reserve Bank of India/inter-bank borrowings	15,194,760	15,587,314	16,935,155
III. Others (including interest on borrowings of erstwhile ICICI Limited)	100,537,073	104,387,663	98,523,258
TOTAL INTEREST EXPENDED	**348,358,328**	**339,964,746**	**323,181,538**

SCHEDULE 16 - OPERATING EXPENSES

(Rs. in thousands)

	Year ended March 31, 2017	March 31, 2016	March 31, 2015

I.	Payments to and provisions for employees	78,932,552	69,122,888	65,683,216
II.	Rent, taxes and lighting[1]	14,051,579	12,424,715	11,540,155
III.	Printing and stationery	2,009,142	1,742,022	1,587,878
IV.	Advertisement and publicity	9,109,658	7,199,746	5,281,639
V.	Depreciation on property	9,116,381	8,238,922	7,631,612
VI.	Depreciation (including lease equalisation) on leased assets	12	192,206	350,597
VII.	Directors' fees, allowances and expenses	95,468	62,939	59,228
VIII.	Auditors' fees and expenses	251,492	230,227	222,336
IX.	Law charges	1,535,687	1,127,613	1,272,588
X.	Postages, courier, telephones, etc.	4,603,585	4,028,285	3,744,913
XI.	Repairs and maintenance	13,404,090	11,540,341	10,082,794
XII.	Insurance	3,901,930	3,332,350	3,147,514
XIII.	Direct marketing agency expenses	13,549,279	11,521,566	10,131,867
XIV.	Claims and benefits paid pertaining to insurance business	57,922,567	53,973,461	41,274,246
XV.	Other expenses pertaining to insurance business[2]	219,059,330	178,736,575	150,365,430
XVI.	Other expenditure	54,156,953	44,421,759	37,851,106
TOTAL OPERATING EXPENSES		**481,699,705**	**407,895,615**	**350,227,119**

1. Includes lease payment of Rs. 9,810.1 million (March 31, 2016: Rs. 8,652.3 million, March 31, 2015: Rs.8,407.2 million).

2. Includes commission expenses and reserves for actuarial liabilities (including the investible portion of the premium on the unit-linked policies).

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements

SCHEDULE 17

Significant accounting policies

Overview

ICICI Bank Limited, together with its subsidiaries, joint ventures and associates (collectively, the Group), is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services.

ICICI Bank Limited (the Bank), incorporated in Vadodara, India is a publicly held banking company governed by the Banking Regulation Act, 1949.

Principles of consolidation

The consolidated financial statements include the financials of ICICI Bank, its subsidiaries, associates and joint ventures.

Entities, in which the Bank holds, directly or indirectly, through subsidiaries and other consolidating entities, more than 50.00% of the voting rights or where it exercises control, over the composition of board of directors/governing body, are fully consolidated on a line-by-line basis in accordance with the provisions of AS 21 on 'Consolidated Financial Statements'. Investments in entities where the Bank has the ability to exercise significant influence are accounted for under the equity method of accounting and the pro-rata share of their profit/(loss) is included in the consolidated profit and loss account. Assets, liabilities, income and expenditure of jointly controlled entities are consolidated using the proportionate consolidation method. Under this method, the Bank's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is reported in separate line items in the consolidated financial statements. The Bank does not consolidate entities where the significant influence/control is intended to be temporary or entities which operate under severe long-term restrictions that impair their ability to transfer funds to parent/investing entity. All significant inter-company accounts and transactions are eliminated on consolidation.

Basis of preparation

The accounting and reporting policies of the Group used in the preparation of the consolidated financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), National Housing Bank (NHB) from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014, as applicable to relevant companies and practices generally prevalent in the banking industry in India. In the case of the foreign subsidiaries, Generally Accepted Accounting Principles as applicable to the respective foreign subsidiaries are followed. The Group follows the accrual method of accounting except where otherwise stated, and the historical cost convention. In case the accounting policies followed by a subsidiary or joint venture are different from those followed by the Bank, the same have been disclosed in the respective accounting policy.

The preparation of consolidated financial statements requires the management to make estimates and assumptions that are considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the consolidated financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

The consolidated financial statements include the results of the following entities in addition to the Bank.

Sr. no.	Name of the entity	Country of incorporation	Nature of relationship	Nature of business	Ownership interest
1.	ICICI Bank UK PLC	United Kingdom	Subsidiary	Banking	100.00%
2.	ICICI Bank Canada	Canada	Subsidiary	Banking	100.00%
3.	ICICI Securities Limited	India	Subsidiary	Securities broking and merchant banking	100.00%
4.	ICICI Securities Holdings Inc.	USA	Subsidiary	Holding company	100.00%
5.	ICICI Securities Inc.	USA	Subsidiary	Securities broking	100.00%
6.	ICICI Securities Primary Dealership Limited	India	Subsidiary	Securities investment, trading and underwriting	100.00%
7.	ICICI Venture Funds Management Company Limited	India	Subsidiary	Private equity/venture capital fund management	100.00%
8.	ICICI Home Finance Company Limited	India	Subsidiary	Housing finance	100.00%
9.	ICICI Trusteeship Services Limited	India	Subsidiary	Trusteeship services	100.00%
10.	ICICI Investment Management Company Limited	India	Subsidiary	Asset management	100.00%
11.	ICICI International Limited	Mauritius	Subsidiary	Asset management	100.00%
12.	ICICI Prudential Pension Funds Management Company Limited[1]	India	Subsidiary	Pension fund management	100.00%
13.	ICICI Prudential Life Insurance Company Limited	India	Subsidiary	Life insurance	54.89%
14.	ICICI Lombard General Insurance Company Limited	India	Subsidiary	General insurance	63.31%

15.	ICICI Prudential Asset Management Company Limited	India	Subsidiary	Asset management company	51.00%
16.	ICICI Prudential Trust Limited	India	Subsidiary	Trustee services	50.80%
17.	ICICI Strategic Investments Fund	India	Consolidated as per AS 21	Unregistered venture capital fund	100.00%
18.	I-Process Services (India) Private Limited[2]	India	Associate	Services related to back end operations	19.00%
19.	NIIT Institute of Finance Banking and Insurance Training Limited[2]	India	Associate	Education and training in banking, finance and insurance	18.79%
20.	ICICI Merchant Services Private Limited[2]	India	Associate	Merchant servicing	19.01%
21.	India Infradebt Limited[2]	India	Associate	Infrastructure finance	31.00%
22.	India Advantage Fund-III[2]	India	Associate	Venture capital fund	24.10%
23.	India Advantage Fund-IV[2]	India	Associate	Venture capital fund	47.14%

1. ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.

2. These entities have been accounted as per the equity method as prescribed by AS 23 on ‘Accounting for Investments in Associates in Consolidated Financial Statements’.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

3. With effect from January 5, 2017, ICICI Group ceased to exercise significant influence over FINO PayTech Limited and therefore, FINO PayTech Limited has ceased to be an associate of the Bank. Accordingly, investment in FINO PayTech Limited has not been accounted as per the equity method for the three months ended March 31, 2017.

Comm Trade Services Limited has not been consolidated under AS 21, since the investment is temporary in nature. Falcon Tyres Limited, in which the Bank holds 26.39% equity shares has not been accounted as per equity method under AS 23, since the investment is temporary in nature.

SIGNIFICANT ACCOUNTING POLICIES

1. Transactions involving foreign exchange

The consolidated financial statements of the Group are reported in Indian rupees (Rs.), the national currency of India. Foreign currency income and expenditure items are translated as follows:

- For domestic operations, at the exchange rates prevailing on the date of the transaction with the resultant gain or loss accounted for in the profit and loss account.

- For integral foreign operations, at daily closing rates with the resultant gain or loss accounted for in the profit and loss account. An integral foreign operation is a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise but are an integral part of the reporting enterprise.

- For non-integral foreign operations, at the quarterly average closing rates with the resultant gains or losses accounted for as foreign currency translation reserve.

Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India (FEDAI) relevant to the balance sheet date and the resulting gains/losses are included in the profit and loss account.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at relevant closing exchange rates notified by FEDAI at the balance sheet date and the resulting gains/losses from exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations. Prior to April 1, 2016, on the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which had been accumulated in the foreign currency translation reserve and which related to that operation were recognised as income or expenses in the same period in which the gain or loss on disposal was recognised. From April 1, 2016, pursuant to RBI guideline dated April 18, 2017, the Bank does not recognise the cumulative/proportionate amount of such exchange differences as income or expenses, which relate to repatriation of accumulated retained earnings from overseas operations.

The premium or discount arising on inception of forward exchange contracts in domestic operations that are entered to establish the amount of reporting currency required or available at the settlement date of a transaction is amortised over the life of the contract. All other outstanding forward exchange contracts are revalued based on the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The contracts of longer maturities where exchange rates are not notified by FEDAI are revalued, based on the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities on account of guarantees, endorsements and other obligations denominated in foreign currency are disclosed at the closing exchange rates notified by FEDAI relevant to the balance sheet date.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

2. Revenue recognition

a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets (NPAs) where it is recognised upon realisation, as per the income recognition and asset classification norms of RBI/NHB/other applicable guidelines. For assets, where Strategic Debt Restructuring (SDR) or prudential norms on change in ownership of borrowing entities (change in management outside SDR) schemes of RBI have been invoked, the interest income is recognised upon realisation during the period from the date of invocation till the end of stand-still period. Further, the interest income on assets is recognised upon realisation where scheme for sustainable structuring of stressed assets (S4A) scheme has been invoked but not implemented.

b) Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period.

c) Income on discounted instruments is recognised over the tenure of the instrument.

d) Dividend income is accounted on an accrual basis when the right to receive the dividend is established.

e) Loan processing fee is accounted for upfront when it becomes due except in the case of foreign banking subsidiaries, where it is amortised over the period of the loan.

f) Project appraisal/structuring fee is accounted for on the completion of the agreed service.

g) Arranger fee is accounted for as income when a significant portion of the arrangement/syndication is completed.

h) Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.

i) Fund management and portfolio management fees are recognised on an accrual basis.

j) The annual/renewal fee on credit cards is amortised on a straight line basis over one year.

k) All other fees are accounted for as and when they become due.

l) The Bank deals in bullion business on a consignment basis. The difference between price recovered from customers and cost of bullion is accounted for at the time of sales to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on accrual basis.

m) Fees paid/received for priority sector lending certificates (PSLC) is amortised on straight-line basis over the period of the certificate.

n) Fees/other income related to borrowers, where SDR or change in management outside SDR schemes of RBI have been invoked, are recognised upon realisation during the period from the date of invocation till the end of stand-still period. Further, fees/other income are recognised upon realisation where S4A scheme has been invoked but not implemented.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

o) Income from securities brokerage activities is recognised as income on the trade date of the transaction. Brokerage income in relation to public or other issuances of securities is recognised based on mobilisation and terms of agreement with the client.

p) Life insurance premium for non-linked policies is recognised as income when due from policyholders. For unit linked business, premium is recognised when the associated units are created. Premium on lapsed policies is recognised as income when such policies are reinstated. Top-up premiums paid by unit linked policyholders' are considered as single premium and recognised as income when the associated units are created. Income from unit linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the linked funds in accordance with the terms and conditions of the policy and are recognised when due.

q) In the case of general insurance business, premium is recorded for the policy period at the commencement of risk and for instalment cases, it is recorded on instalment due dates. Premium earned is recognised as income over the period of the risk or the contract period based on 1/365 method, whichever is appropriate, on a gross basis, net of service tax. Any subsequent revision to premium is recognised over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies are recognised in the period in which the policies are cancelled. Commission on re-insurance ceded is recognised as income in the period of ceding the risk. Profit commission under re-insurance treaties, wherever applicable, is recognised as income in the period of final determination of profits and combined with commission on reinsurance ceded.

r) In case of life insurance business, reinsurance premium ceded is accounted in accordance with the terms of the relevant treaty with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

s) In the case of general insurance business, insurance premium on ceding of the risk is recognised in the period in which the risk commences. Any subsequent revision to premium ceded is recognised in the period of such revision. Adjustment to re-insurance premium arising on cancellation of policies is recognised in the period in which they are cancelled. In case of life insurance business, reinsurance premium ceded is accounted in accordance with the terms and conditions of the relevant treaties with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

t) In the case of general insurance business, premium deficiency is recognised when the sum of expected claim costs and related expenses and maintenance costs exceed the reserve for unexpired risks and is computed at a segmental revenue account level. The expected claim cost is calculated and duly certified by the Appointed Actuary.

3. Stock based compensation

The following entities within the group have granted stock options to their employees:

- ICICI Bank Limited
- ICICI Prudential Life Insurance Company Limited
- ICICI Lombard General Insurance Company Limited

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

The Employees Stock Option Scheme (the Scheme) of the Bank provides for grant of options on the Bank's equity shares to wholetime directors and employees of the Bank and its subsidiaries. The Scheme provides that employees are granted an option to subscribe to equity shares of the Bank that vest in a graded manner. The options may be exercised within a specified period. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company have also formulated similar stock option schemes for their employees for grant of equity shares of their respective companies.

The Group, except the overseas banking subsidiaries, follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date and amortised over the vesting period. The fair market price is the latest closing price, immediately prior to the grant date, which is generally the date of the meeting of the Board Governance, Remuneration & Nomination Committee or other relevant committee in which the options are granted, on the stock exchange on which the shares of the Bank and ICICI Prudential Life Insurance Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered. In the case of ICICI Lombard General Insurance Company, the fair value of the shares is determined based on an external valuation report. The banking subsidiaries namely, ICICI Bank UK and ICICI Bank Canada account for the cost of the options granted to employees by ICICI Bank using the fair value method based on binomial tree model.

4. Income taxes

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Group. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income, respectively. Deferred tax adjustments comprise changes in the deferred tax assets or liabilities during the year.

Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and re-assessed at each reporting date, based upon the management's judgement as to whether their realisation is considered as reasonably certain. However, in case of domestic companies, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

In the consolidated financial statements, deferred tax assets and liabilities are computed at an individual entity level and aggregated for consolidated reporting.

5. Claims and benefits paid

In the case of general insurance business, claims incurred comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Further, claims incurred also include specific claim settlement costs such as survey/legal fees and other directly attributable costs. Claims (net of amounts receivable from re-insurers/co-insurers) are recognised on the date of intimation based on management estimates or on estimates from surveyors/insured in the respective revenue account. Estimated

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

liability for outstanding claims at the balance sheet date is recorded net of claims recoverable from/payable to co-insurers/re-insurers and salvage to the extent there is certainty of realisation. Salvaged stock is recognised at estimated net realisable value based on independent valuer's report. Estimated liability for outstanding claim is determined by the entity on the basis of ultimate amounts likely to be paid on each claim based on the past experience/ actuarial valuation. These estimates are progressively revalidated on availability of further information. Claims IBNR represent that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The claims IBNR provision also includes provision, if any, required for claims IBNER. Estimated liability for claims IBNR/claims IBNER is based on an actuarial estimate duly certified by the appointed actuary of the entity.

In the case of life insurance business, benefits paid comprise of policy benefits and claim settlement costs, if any. Death and rider claims are accounted for on receipt of intimation. Survival and maturity benefits are accounted when due. Withdrawals and surrenders under non linked policies are accounted on the receipt of intimation.

6. Liability for life policies in force

In the case of life insurance business, the liabilities for life policies in force are calculated in accordance with accepted actuarial practice, requirements of Insurance Act, 1938 (amended by Insurance Laws (Amendment) Act, 2015) and regulations notified by the Insurance Regulatory and Development Authority of India and Actuarial Practice Standards of the Institute of Actuaries of India.

7. Reserve for unexpired risk

Reserve for unexpired risk is recognised net of re-insurance ceded and represents premium written that is attributable to, and is to be allocated to succeeding accounting periods. For fire, marine, cargo and miscellaneous business it is calculated on a daily pro-rata basis, except in the case of marine hull business which is computed at 100.00% of net premium written on all unexpired policies at balance sheet date, in accordance with the provisions of the Insurance Act, 1938.

8. Actuarial method and valuation

In the case of life insurance business, the actuarial liability on both participating and non-participating policies is calculated using the gross premium method, using assumptions for interest, mortality, morbidity, expense and inflation, and in the case of participating policies, future bonuses together with allowance for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

The greater of liability calculated using discounted cash flows and unearned premium reserves is held for the unexpired portion of the risk for the non-unit liabilities of linked business and attached riders.

The unit liability in respect of linked business has been taken as the value of the units standing to the credit of policyholders, using the Net Asset Value (NAV) prevailing at the valuation date.

An unexpired risk reserve and a reserve in respect of claims incurred but not reported are created, for one year renewable group term insurance.

The interest rates used for valuing the liabilities are in the range of 3.49% to 6.20% per annum (previous year – 4.92% to 5.53% per annum).

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

Mortality rates used are based on the published "Indian Assured Lives Mortality (2006 – 2008) Ult." mortality table for assurances and LIC 96-98 table for annuities, adjusted to reflect expected experience while morbidity rates used are based on CIBT 93 table, adjusted for expected experience, or on risk rates supplied by reinsurers.

Expenses are provided for at current levels, in respect of renewal expenses, with no allowance for future improvements but with an allowance for any expected worsening. Per policy renewal expenses for regular premium policies are assumed to inflate at 4.55% (previous year – 5.18%).

9. Acquisition costs for insurance business

Acquisition costs are those costs that vary with and are primarily related to the acquisition of insurance contracts and are expensed in the period in which they are incurred.

10. Employee benefits

Gratuity

The Group pays gratuity, a defined benefit plan, to employees who retire or resign after a minimum prescribed period of continuous service and in case of employees at overseas locations as per the rules in force in the respective countries. The Group makes contribution to trusts which administer the funds on their own account or through insurance companies.

The actuarial gains or losses arising during the year are recognised in the profit and loss account.

Actuarial valuation of the gratuity liability is determined by an actuary appointed by the Group. Actuarial valuation of gratuity liability is determined based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Superannuation fund and National Pension Scheme

The Bank contributes 15.00% of the total annual basic salary of certain employees to superannuation funds, a defined contribution plan, managed and administered by insurance companies. Further, the Bank contributes 10.00% of the total basic salary of certain employees to National Pension Scheme (NPS), a defined contribution plan, which is managed and administered by pension fund management companies. The Bank also gives an option to its employees allowing them to receive the amount in lieu of such contributions along with their monthly salary during their employment.

The amounts so contributed/paid by the Bank to the superannuation fund and NPS or to employees during the year are recognised in the profit and loss account.

ICICI Prudential Life Insurance Company, ICICI Prudential Asset Management Company and ICICI Venture Funds Management Company have accrued for superannuation liability based on a percentage of basic salary payable to eligible employees for the period of service.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

Pension

The Bank provides for pension, a defined benefit plan covering eligible employees of erstwhile Bank of Madura, erstwhile Sangli Bank and erstwhile Bank of Rajasthan. The Bank makes contribution to a trust which administers the funds on its own account or through insurance companies. The plan provides for pension payment including dearness relief on a monthly basis to these employees on their retirement based on the respective employee's years of service with the Bank and applicable salary.

Actuarial valuation of the pension liability is determined by an actuary appointed by the Bank. Actuarial valuation of pension liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

The actuarial gains or losses arising during the year are recognised in the profit and loss account.

Employees covered by the pension plan are not eligible for employer's contribution under the provident fund plan.

Provident fund

The Group is statutorily required to maintain a provident fund, a defined benefit plan, as a part of retirement benefits to its employees. Each employee contributes a certain percentage of his or her basic salary and the Group contributes an equal amount for eligible employees. The Group makes contribution as required by The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 to Employees' Pension Scheme administered by the Regional Provident Fund Commissioner and the balance contributions are transferred to funds administered by trustees. The funds are invested according to the rules prescribed by the Government of India.

Actuarial valuation for the interest rate guarantee on the provident fund balances is determined by an actuary appointed by the Group.

The actuarial gains or losses arising during the year are recognised in the profit and loss account.

The employees of the overseas branches of the Bank contribute a certain percentage of their salary and the overseas branches contribute an equal amount for eligible employees towards respective government schemes. The contribution by the overseas branches is recognised in profit and loss account at the time of contribution.

Compensated absences

The Group provides for compensated absences based on actuarial valuation conducted by an independent actuary.

11. Provisions, contingent liabilities and contingent assets

The Group estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available upto the date on which the consolidated financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimates of amounts required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made in the consolidated financial statements. In case of remote possibility, neither provision nor disclosure is made in the consolidated financial statements. The Group does not account for or disclose contingent assets, if any.

The Bank estimates the probability of redemption of customer loyalty reward points using an actuarial method by employing an independent actuary and accordingly makes provision for these reward points. Actuarial valuation is determined based on certain assumptions regarding mortality rate, discount rate, cancellation rate and redemption rate.

12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

13. Investments

i) Investments of the Bank are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as given below.

a) All investments are classified into ‘Held to Maturity’, ‘Available for Sale’ and ‘Held for Trading’. Reclassifications, if any, in any category are accounted for as per the RBI guidelines. Under each classification, the investments are further categorised as (a) government securities, (b) other approved securities, (c) shares, (d) bonds and debentures and (e) others.

b) ‘Held to Maturity’ securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis and straight line basis respectively.

c)

‘Available for Sale’ and ‘Held for Trading’ securities are valued periodically as per RBI guidelines. Any premium over the face value of fixed rate and floating rate investments in government securities, classified as ‘Available for Sale’, is amortised over the remaining period to maturity on constant yield basis and straight-line basis respectively. Quoted investments are valued based on the closing quotes on the recognised stock exchanges or prices declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA), periodically.

The market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio (SLR) securities included in the ‘Available for Sale’ and ‘Held for Trading’ categories is as per the rates published by FIMMDA. The valuation of other unquoted fixed income securities, including Pass Through Certificates, wherever linked to the Yield-to-Maturity (YTM) rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at Rs.1, as per RBI guidelines.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

Securities are valued scrip-wise. Depreciation/appreciation on securities other than those acquired by way of conversion of outstanding loans, is aggregated for each category. Net appreciation in each category, if any, being unrealised, is ignored, while net depreciation is provided for. The depreciation on securities acquired by way of conversion of outstanding loan is fully provided for. Non-performing investments are identified based on the RBI guidelines.

Depreciation on equity shares acquired and held by the Bank under SDR, S4A and change in management outside SDR schemes is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with RBI guidelines.

d) Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

e) The units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

f) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account. Cost of investments is computed based on the First-In-First-Out (FIFO) method.

g) Profit/loss on sale of investments in the 'Held to Maturity' category is recognised in the profit and loss account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit/loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the profit and loss account.

h) Market repurchase, reverse repurchase and transactions with RBI under Liquidity Adjustment Facility (LAF) are accounted for as borrowing and lending transactions in accordance with the extant RBI guidelines.

i) Broken period interest (the amount of interest from the previous interest payment date till the date of purchase/sale of instruments) on debt instruments is treated as a revenue item.

j) At the end of each reporting period, security receipts issued by the asset reconstruction companies are valued in accordance with the guidelines applicable to such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from security receipts issued by the asset reconstruction companies are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end. The security receipts which are outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

k) The Bank follows trade date method of accounting for purchase and sale of investments, except for government of India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

l) The Bank undertakes short sale transactions in dated central government securities in accordance with RBI guidelines. The short positions are categorised under HFT category and are marked-to-market. The mark-to-market loss is charged to profit and loss account and gain, if any, is ignored as per RBI guidelines.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

ii) The Bank's consolidating venture capital fund carries investments at fair values, with unrealised gains and temporary losses on investments recognised as components of investors' equity and accounted for in the unrealised investment reserve account. The realised gains and losses on investments and units in mutual funds and unrealised gains or losses on revaluation of units in mutual funds are accounted for in the profit and loss account. Provisions are made in respect of accrued income considered doubtful. Such provisions as well as any subsequent recoveries are recorded through the profit and loss account. Subscription to/purchase of investments are accounted at the cost of acquisition inclusive of brokerage, commission and stamp duty.

iii) The Bank's primary dealership and securities broking subsidiaries classify the securities held with the intention of holding for short-term and trading as stock-in-trade which are valued at lower of cost or market value. The securities classified by primary dealership subsidiary as held-to-maturity, as permitted by RBI, are carried at amortised cost. Appropriate provision is made for other than temporary diminution in the value of investments. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition.

iv) The Bank's housing finance subsidiary classifies its investments as current investments and long-term investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments, which are carried at the lower of cost and net realisable value. All other investments are classified as long-term investments, which are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of the securities acquired is amortised over the remaining period to maturity on a constant yield basis. However, a provision for diminution in value is made to recognise any other than temporary decline in the value of such long-term investments.

v) The Bank's overseas banking subsidiaries account for unrealised gain/loss, net of tax, on investment in 'Available for Sale' category directly in their reserves. Further unrealised gain/loss on investment in 'Held for Trading' category is accounted directly in the profit and loss account. Investments in 'Held to Maturity' category are carried at amortised cost.

vi) In the case of life and general insurance businesses, investments are made in accordance with the Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015), the IRDA (Investment) Regulations, 2016, and various other circulars/notifications issued by the IRDAI in this context from time to time.

In the case of life insurance business, valuation of investments (other than linked business) is done on the following basis:

a. All debt securities and redeemable preference shares are considered as 'held to maturity' and accordingly stated at historical cost, subject to amortisation of premium or accretion of discount over the period of maturity/holding on a constant yield basis.

b. Listed equity shares are stated at fair value being the last quoted closing price on the National Stock Exchange (NSE) (or BSE, in case the investments are not listed on NSE).

c. Mutual fund units are valued based on the previous day's net asset value.

Unrealised gains/losses arising due to changes in the fair value of listed equity shares and mutual fund units are taken to 'Revenue and other reserves' and 'Liabilities on policies in force' in the balance sheet for Shareholders' fund and Policyholders' fund respectively for life insurance business.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

In the case of general insurance business, valuation of investments is done on the following basis:

a. All debt securities including government securities and non-convertible preference shares are considered as 'held to maturity' and accordingly stated at amortised cost determined after amortisation of premium or accretion of discount on a constant yield basis over the holding/maturity period.

b. Listed equities and convertible preference shares at the balance sheet date are stated at fair value, being the last quoted closing price on the NSE and in case these are not listed on NSE, then based on the last quoted closing price on the BSE.

c. Mutual fund investments (other than venture capital fund) are stated at fair value, being the closing net asset value at balance sheet date.

d. Investments other than mentioned above are valued at cost.

Unrealised gains/losses arising due to changes in the fair value of listed equity shares and mutual fund units are taken to 'Revenue and other reserves' in the balance sheet for general insurance business.

Insurance subsidiaries assess at each balance sheet date whether there is any indication that any investment may be impaired. If any such indication exists, the carrying value of such investment is reduced to its recoverable amount and the impairment loss is recognised in the revenue(s)/profit and loss account.

The total proportion of investments for which subsidiaries have applied accounting policies different from the Bank as mentioned above, is approximately 21.50% of the total investments at March 31, 2017.

14. Provisions/write-offs on loans and other credit facilities

i) Loans and other credit facilities of the Bank are accounted for in accordance with the extant RBI guidelines as given below:

a) The Bank classifies its loans and investments, including at overseas branches and overdues arising from crystallised derivative contracts, into performing and NPAs in accordance with RBI guidelines. Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

In the case of corporate loans and advances, provisions are made for sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and the unsecured portion of doubtful assets are provided/written-off as per the extant RBI guidelines. For loans and advances booked in overseas branches, which are standard as per the extant RBI guidelines but are classified as NPAs based on host country guidelines, provisions are made as per the host country regulations. For loans and advances booked in overseas branches, which are NPAs as per the extant RBI guidelines and as per host country guidelines, provisions are made at the higher of the provisions required under RBI regulations and host country regulations.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

Provisions on homogeneous retail loans and advances, subject to minimum provisioning requirements of RBI, are assessed on the basis of the ageing of the loans in the non-performing category. In respect of loans classified as fraud, the entire amount, without considering the value of security, is provided for over a period of four quarters starting from the quarter in which fraud has been detected. In accounts where there has been delay in reporting the fraud to the RBI, the entire amount is provided immediately. In respect of borrowers classified as non-cooperative borrowers, wilful defaulters and NPAs covered under distressed assets framework of RBI, the Bank makes accelerated provisions as per extant RBI guidelines.

The Bank holds specific provisions against non-performing loans and advances, and against certain performing loans and advances in accordance with RBI directions. The Bank also holds provisions on loans under SDR, S4A and change in management outside SDR schemes of RBI. The assessment of incremental specific provisions is made after taking into consideration the existing specific provision held. The specific provisions on retail loans and advances held by the Bank are higher than the minimum regulatory requirements.

b) Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period. A standard restructured loan is upgraded to the standard category when satisfactory payment performance is evidenced during the specified period and after the loan reverts to the normal level of standard asset provisions/risk weights.

c) Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

d) The Bank maintains general provision on performing loans and advances in accordance with the RBI guidelines, including provisions on loans to borrowers having unhedged foreign currency exposure and provision on exposures to step-down subsidiaries of Indian companies. For performing loans and advances in overseas branches, the general provision is made at higher of host country regulations requirement and RBI requirement.

e) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures including indirect country risk (other than for home country exposure). The countries are categorised into seven risk categories namely insignificant, low, moderately low, moderate, moderately high,

high and very high, and provisioning is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 25%. For exposures with contractual maturity of less than 180 days, provision is required to be held at 25% of the rates applicable to exposures exceeding 180 days. The indirect exposure is reckoned at 50% of the exposure. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required on such country exposure.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

f) The Bank makes floating provision as per a Board approved policy, which is in addition to the specific and general provisions made by the Bank. The floating provision is utilised, with the approval of Board and RBI, in case of contingencies which do not arise in the normal course of business and are exceptional and non-recurring in nature and for making specific provision for impaired loans as per the requirement of extant RBI guidelines or any regulatory guidance/instructions. The floating provision is netted-off from advances.

ii) In the case of the Bank's housing finance subsidiary, loans and other credit facilities are classified as per the NHB guidelines into performing and non-performing assets. Further, NPAs are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

iii) In the case of the Bank's overseas banking subsidiaries, loans are stated net of allowance for credit losses. Loans are classified as impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the loans that can be reliably estimated. An allowance for impairment losses is maintained at a level that management considers adequate to absorb identified credit related losses as well as losses that have occurred but have not yet been identified.

The total proportion of loans for which subsidiaries have applied accounting policies different from the Bank as mentioned above, is approximately 8.26% of the total loans at March 31, 2017.

15. Transfer and servicing of assets

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses are accounted for, only if the Bank surrenders the rights to benefits specified in the underlying securitised loan contract. Recourse and servicing obligations are accounted for net of provisions.

In accordance with the RBI guidelines for securitisation of standard assets, with effect from February 1, 2006, the Bank accounts for any loss arising from securitisation immediately at the time of sale and the profit/premium arising from securitisation is amortised over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold. With effect from May 7, 2012, the RBI guidelines require the profit/premium arising from securitisation to be amortised over the life of the transaction based on the method prescribed in the guidelines.

In accordance with RBI guidelines, in case of non-performing/special mention account-2 loans sold to securitisation company (SC)/reconstruction company (RC), the Bank reverses the excess provision in profit and loss account in the year in which amounts are received. Any shortfall of sale value over the net book value on sale of such assets is recognised by the Bank in the year in which the loan is sold.

The Canadian subsidiary has entered into securitisation arrangements in respect of its originated and purchased mortgages. ICICI Bank Canada either retains substantially all the risk and rewards or retains control over these mortgages, hence these arrangements do not qualify for de-recognition accounting under their local accounting standards. It continues to recognise the mortgages securitised as “Loans and Advances” and the amounts received through securitisation are recognised as “Other borrowings”.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

16. Property, Plant and Equipment

Property, Plant and Equipment (PPE), other than premises of the Bank, are carried at cost less accumulated depreciation and impairment, if any. In case of the Bank and its housing finance subsidiary, premises are carried at revalued amount, being fair value at the date of revaluation less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Depreciation is charged over the estimated useful life of PPE on a straight-line basis. The useful life of the groups of PPE for domestic group companies is based on past experience and expectation of usage, which for some categories of PPE, is different from the useful life as prescribed in Schedule II to the Companies Act, 2013.

Assets purchased/sold during the period are depreciated on a pro-rata basis for the actual number of days the asset has been capitalised.

In case of the Bank, items costing up to Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase. Further, profit on sale of premises by the Bank is appropriated to capital reserve, net of transfer to Statutory Reserve and taxes, in accordance with RBI guidelines.

In case of revalued/impaired assets, depreciation is provided over the remaining useful life of the assets with reference to revised asset values. In case of premises, which are carried at revalued amounts, the depreciation on the excess of revalued amount over historical cost is transferred from Revaluation Reserve to General Reserve annually.

Non-banking assets

Non-banking assets (NBAs) acquired in satisfaction of claims are carried at lower of net book value and net realisable value.

17. Accounting for derivative contracts

The Group enters into derivative contracts such as interest rate and currency options, interest rate and currency futures, interest rate and currency swaps, credit default swaps and cross currency interest rate swaps.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured such that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is co-related with the movement of underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. Hedge swaps are accounted for on an accrual basis and are not marked to market unless their underlying transaction is marked to market, except in the case of the Bank's overseas banking subsidiaries. In overseas subsidiaries, in case of fair value hedge, the hedging transactions and the hedged items (for the risks being hedged) are measured at fair value with changes recognised in the profit and loss account and in case of cash flow hedges, changes in the fair value of effective portion of the cash flow hedge are taken to 'Revenue and other reserves' and ineffective portion, if any, are recognised in the profit and loss account.

Foreign currency and rupee derivative contracts entered into for trading purposes are marked to market and the resulting gain or loss, is accounted for in the profit and loss account. Pursuant to RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

mark-to-market gains on other derivative contracts with the same counter-parties are reversed through the profit and loss account.

18. Impairment of assets

The immovable fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is treated as impaired when its carrying amount exceeds its recoverable amount. The impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the impaired assets exceeds their recoverable value.

19. Lease transactions

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss account over the lease term on straight-line basis.

20. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares issued by the group outstanding during the year, except where the results are anti-dilutive.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

SCHEDULE 18: NOTES FORMING PART OF THE ACCOUNTS

A. The following additional disclosures have been made taking into account the requirements of Accounting Standards (ASs) and Reserve Bank of India (RBI) guidelines in this regard.

1. Earnings per share

Basic and diluted earnings per equity share are computed in accordance with AS 20–Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per equity share is computed using the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year.

The following table sets forth, for the periods indicated, the computation of earnings per share.

Rupees in million, except per share data

	Year ended March 31, 2017	**Year ended March 31, 2016**
Basic		
Weighted average no. of equity shares outstanding	5,818,851,357	5,807,339,489
Net profit	101,883.8	101,799.6
Basic earnings per share (Rs.)	17.51	17.53
Diluted		
Weighted average no. of equity shares outstanding	5,842,890,835	5,840,224,893
Net profit	101,837.1	101,703.1
Diluted earnings per share (Rs.)	17.43	17.41
Nominal value per share (Rs.)	2.00	2.00

The dilutive impact is due to options granted to employees by the Group.

2. Related party transactions

The Group has transactions with its related parties comprising associates/other related entities and key management personnel and relatives of key management personnel.

I. Related parties

Associates/other related entities

ICICI Merchant Services Private Limited, India Advantage Fund-III, India Advantage Fund-IV, India Infradebt Limited, I-Process Services (India) Private Limited, NIIT Institute of Finance Banking and Insurance Training Limited, Comm Trade Services Limited, ICICI Foundation for Inclusive Growth and Catalyst Management Services Private Limited.

Akzo Nobel India Limited and FINO PayTech Limited ceased to be related parties effective from April 30, 2016 and January 5, 2017 respectively.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

Key management personnel

Ms. Chanda Kochhar, Mr. N. S. Kannan, Ms. Vishakha Mulye[1], Mr. Vijay Chandok[2], Mr. Anup Bagchi[3], Mr. K. Ramkumar[4] and Mr. Rajiv Sabharwal[5].

1. Identified as related party effective from January 19, 2016.
2. Identified as related party effective from July 28, 2016.
3. Identified as related party effective from February 1, 2017.
4. Mr. K. Ramkumar ceased to be the whole-time director of the Bank effective from April 30, 2016.
5. Mr. Rajiv Sabharwal ceased to be the whole-time director of the Bank effective from January 31, 2017.

Relatives of key management personnel

Mr. Deepak Kochhar, Mr. Arjun Kochhar, Ms. Aarti Kaji, Mr. Mahesh Advani, Ms. Rangarajan Kumudalakshmi, Ms. Aditi Kannan, Ms. Sudha Narayanan, Mr. Raghunathan Narayanan, Mr. Rangarajan Narayanan, Mr. Vivek Mulye[1], Ms. Vriddhi Mulye[1], Mr. Gauresh Palekar[1], Ms. Shalaka Gadekar[1], Ms. Manisha Palekar[1], Ms. Poonam Chandok[2], Ms. Saluni Chandok[2], Ms. Simran Chandok[2], Mr. C. V. Kumar[2], Ms. Shad Kumar[2], Ms. Sanjana Gulati[2], Ms. Mitul Bagchi[3], Mr. Aditya Bagchi[3], Mr. Shishir Bagchi[3], Ms. Jaya Ramkumar[4], Mr. R. Shyam[4], Ms. R. Suchithra[4], Mr. K. Jayakumar[4], Mr. R. Krishnaswamy[4], Ms. J. Krishnaswamy[4], Ms. Pushpa Muralidharan[4], Ms. Malathi Vinod[4], Ms. Sangeeta Sabharwal[5], Mr. Kartik Sabharwal[5], Mr. Arnav Sabharwal[5] and Mr. Sanjiv Sabharwal[5].

1. Identified as related party effective from January 19, 2016.
2. Identified as related party effective from July 28, 2016.
3. Identified as related party effective from February 1, 2017.
4. Mr. K. Ramkumar ceased to be the whole-time director of the Bank effective from April 30, 2016.
5. Mr. Rajiv Sabharwal ceased to be the whole-time director of the Bank effective from January 31, 2017.

II. Transactions with related parties

The following table sets forth, the significant transactions between the Group and its related parties for the periods indicated.

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Interest income		
Associates/others	188.8	118.5
Key management personnel	10.7	1.6
Relatives of key management personnel	0.2	0.8
Total	**199.7**	**120.9**
Fee, commission and other income		
Associates/others	26.0	21.1
Key management personnel	2.4	0.3
Relatives of key management personnel	0.0[1]	0.1
Total	**28.4**	**21.5**
Commission income on guarantees issued		
Associates/others	0.0[1]	--
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**0.0[1]**	**--**

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Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Insurance premium received		
Associates/others	52.8	42.1
Key management personnel	4.0	3.3
Relatives of key management personnel	3.1	2.0
Total	**59.9**	**47.4**
Income on custodial services		
Associates/others	1.1	1.5
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**1.1**	**1.5**
Recovery of lease of premises, common corporate and facilities expenses		
Associates/others	96.5	87.1
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**96.5**	**87.1**
Recovery of secondment of employees		
Associates/others	8.0	10.7
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**8.0**	**10.7**
Interest expenses		
Associates/others	15.6	97.6
Key management personnel	6.7	3.8
Relatives of key management personnel	2.9	3.3
Total	**25.2**	**104.7**
Remuneration to whole-time directors[2]		
Associates/others	--	--
Key management personnel	223.5	219.0
Relatives of key management personnel	--	--
Total	**223.5**	**219.0**
Reimbursement of expenses to related parties		
Associates/others	0.2	--
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**0.2**	**--**
Insurance claims paid		
Associates/others	5.6	22.1
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**5.6**	**22.1**

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Brokerage, fee and other expenses		
Associates/others	6,248.2	5,338.7
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**6,248.2**	**5,338.7**
Donation given		
Associates/others	975.9	861.6
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**975.9**	**861.6**
Dividend paid		
Associates/others	--	--
Key management personnel	18.1	13.8
Relatives of key management personnel	0.0[1]	0.0[1]
Total	**18.1**	**13.8**
Investments in the securities issued by related parties		
Associates/others	9,759.5	4,242.0
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**9,759.5**	**4,242.0**
Redemption/buyback of securities		
Associates/others	267.7	899.4
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**267.7**	**899.4**

1. Insignificant amount.

2. Excludes the perquisite value on account of employee stock options exercised.

III. Material transactions with related parties

The following table sets forth for the periods indicated, the material transactions between the Group and its related parties. A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Rs. in million

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest income		
1 India Infradebt Limited	153.9	70.2
2 ICICI Merchant Services Private Limited	34.9	48.1

Fee, commission and other income			
1	India Infradebt Limited	22.2	17.2
2	ICICI Merchant Services Private Limited	3.7	3.4
Commission income on guarantees issued			
1	NIIT Institute of Finance Banking and Insurance Training Limited	0.0[1]	--
Insurance premium received			
1	ICICI Foundation for Inclusive Growth	30.2	22.5

	Particulars	Year ended March 31, 2017	Year ended March 31, 2016
2	FINO PayTech Limited[2]	16.7	13.3
	Income on custodial services		
1	India Advantage Fund-III	0.6	0.8
2	India Advantage Fund-IV	0.5	0.6
	Recovery of lease of premises, common corporate and facilities expenses		
1	ICICI Foundation for Inclusive Growth	58.3	57.1
2	FINO PayTech Limited[2]	31.9	23.2
	Recovery of secondment of employees		
1	I-Process Services (India) Private Limited	8.0	7.5
2	ICICI Foundation for Inclusive Growth	--	3.2
	Interest expenses		
1	India Infradebt Limited	11.1	88.0
2	Ms. Chanda Kochhar	5.3	1.8
	Remuneration to whole-time directors[3]		
1	Ms. Chanda Kochhar	58.7	68.8
2	Mr. N. S. Kannan	40.7	47.2
3	Ms. Vishakha Mulye[4]	36.7	10.1
4	Mr. Vijay Chandok[5]	26.1	N.A.
5	Mr. Anup Bagchi[6]	8.5	N.A.
6	Mr. K. Ramkumar[7]	11.1	48.1
7	Mr. Rajiv Sabharwal[8]	41.7	44.8
	Reimbursement of expenses to related parties		
1	NIIT Institute of Finance Banking and Insurance Training Limited	0.2	--
	Insurance claims paid		
1	FINO PayTech Limited[2]	4.3	12.7
2	Akzo Nobel India Limited[9]	1.2	9.2
	Brokerage, fees and other expenses		
1	I-Process Services (India) Private Limited	3,646.6	2,915.9
2	ICICI Merchant Services Private Limited	2,432.1	2,341.3
	Donation given		
1	ICICI Foundation for Inclusive Growth	975.9	861.6
	Dividend paid		
1	Ms. Chanda Kochhar	11.7	11.1
2	Mr. N. S. Kannan	2.4	2.1
3	Ms. Vishakha Mulye[4]	2.6	--
4	Mr. Vijay Chandok[5]	--	N.A.
5	Mr. Anup Bagchi[6]	--	N.A.
6	Mr. Rajiv Sabharwal[8]	1.4	0.6
	Investments in the securities issued by related parties		

1	India Infradebt Limited	9,759.5	4,242.0
	Redemption/buyback of securities		
1	India Advantage Fund-IV	168.1	445.8
2	India Advantage Fund-III	99.6	453.6

1. Insignificant amount.
2. FINO PayTech Limited ceased to be a related party effective from January 5, 2017.
3. Excludes the perquisite value on account of employee stock options exercised.
4. Identified as related party effective from January 19, 2016.
5. Identified as related party effective from July 28, 2016.
6. Identified as related party effective from February 1, 2017.
7. Mr. K. Ramkumar ceased to be the whole-time director of the Bank effective from April 30, 2016.
8. Mr. Rajiv Sabharwal ceased to be the whole-time director of the Bank effective from January 31, 2017.
9. Akzo Nobel India Limited ceased to be a related party effective from April 30, 2016.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

IV. Related party outstanding balances

The following table sets forth for the periods indicated, the balance payable to/receivable from related parties.

Rs. in million

Items	**At March 31, 2017**	**At March 31, 2016**
Deposits with the Group		
Associates/others	3,749.2	1,004.3
Key management personnel	145.2	35.8
Relatives of key management personnel	56.2	63.6
Total	**3,950.6**	**1,103.7**
Payables		
Associates/others	731.4	730.4
Key management personnel	0.0[1]	--
Relatives of key management personnel	0.0[1]	--
Total	**731.4**	**730.4**
Investments of the Group in related parties		
Associates/others	7,112.8	5,362.6
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**7,112.8**	**5,362.6**
Investments of related parties in the Group		
Associates/others	--	--
Key management personnel	8.7	7.2
Relatives of key management personnel	0.0[1]	0.0[1]
Total	**8.7**	**7.2**
Advances		
Associates/others	--	0.4
Key management personnel	204.0	54.7
Relatives of key management personnel	0.9	7.9
Total	**204.9**	**63.0**
Receivables		
Associates/others	61.0	37.5
Key management personnel	--	--

Relatives of key management personnel	--	--
Total	**61.0**	**37.5**
Guarantees issued by the Group		
Associates/others	7.7	0.5
Key management personnel	--	--
Relatives of key management personnel	--	--
Total	**7.7**	**0.5**

1. Insignificant amount.

2. At March 31, 2017, 31,201,400 (March 31, 2016: 29,811,500) employee stock options for key management personnel were outstanding.

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Schedules forming part of the Consolidated Financial Statements *(Continued)*

3. During the year ended March 31, 2017, 1,014,300 (March 31, 2016: 723,500) employee stock options with total exercise price of Rs. 170.9 million (March 31, 2016: Rs. 75.3 million) were exercised by key management personnel.

V. Related party maximum balances

The following table sets forth, the maximum balance payable to/receivable from related parties during the year ended March 31, 2017.

Rs. in million

Items	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Deposits with the Group		
Key management personnel	293.7	192.8
Relatives of key management personnel	62.3	93.7
Payables[1]		
Key management personnel	0.1	0.0[2]
Relatives of key management personnel	0.0[2]	0.0[2]
Investments of related parties in the Group[1]		
Key management personnel	9.1	7.2
Relatives of key management personnel	0.0[2]	0.0[2]
Advances		
Key management personnel	206.7	55.3
Relatives of key management personnel	8.6	15.0

1. Maximum balance is determined based on comparison of the total outstanding balances at each quarter end during the financial year.

2. Insignificant amount.

3. Employee Stock Option Scheme (ESOS)

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 10% of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options in line with SEBI regulations. Under the stock option scheme, eligible employees are entitled to apply for equity shares. In April 2016, exercise period was modified from 10 years from the date of grant or five years from the date of vesting, whichever is later, to 10 years from the date of vesting of options. The exercise price of the Bank's options, except mentioned below, is the last closing price on the stock exchange, which recorded highest trading volume preceding the date of grant of options. Hence, there was no compensation cost based on intrinsic value of options.

Options granted after March, 2014 vest in a graded manner over a three-year period with 30%, 30%, and 40% of the grant vesting in each year, commencing from the end of 12 months from the date of grant other than certain options granted in April 2014 which will vest to the extent of 50% on April 30, 2017 and the balance on April 30, 2018 and in September 2015 which will vest to the extent of 50% on April 30, 2018 and 50% on April 30, 2019. However, for the options granted in September 2015, if the participant's employment terminates due to retirement (including pursuant to any early/voluntary retirement scheme), the whole of the unvested options would lapse.

Options granted prior to March, 2014 vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% of the grants vesting in each year, commencing from the end of 12 months from the date of

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

grant. Options granted in April, 2009 vest in a graded manner over a five-year period with 20%, 20%, 30% and 30% of grant vesting each year, commencing from the end of 24 months from the date of grant. Options granted in September, 2011 vest in a graded manner over a five-years period with 15%, 20%, 20% and 45% of grant vesting each year, commencing from the end of 24 months from the date of the grant.

In February 2011, the Bank granted 15,175,000 options to eligible employees and whole-time Directors of the Bank and certain of its subsidiaries at an exercise price of Rs. 193.40. Of these options granted, 50% vested on April 30, 2014 and the balance 50% vested on April 30, 2015. Based on intrinsic value of options, compensation cost of Nil was recognised during the year ended March 31, 2017 (March 31, 2016: Rs. 0.8 million).

If the Bank had used the fair value of options based on binomial tree model, compensation cost in the year ended March 31, 2017 would have been higher by Rs. 5,107.5 million (March 31, 2016: Rs. 3,726.5 million) including additional cost of Rs. 1,393.1 million (March 31, 2016: Nil) due to change in exercise period and proforma profit after tax would have been Rs. 92,903.4 million (March 31, 2016: Rs. 93,536.3 million). Additional cost of Rs. 1,393.1 million at the date of modification reflects the difference between fair value of option calculated as per revised exercise period and fair value of option calculated as per original exercise period. On a proforma basis, the Bank's basic and diluted earnings per share would have been Rs. 15.97 (March 31, 2016: Rs. 16.11) and Rs. 15.90 (March 31, 2016: Rs. 16.02) respectively.

The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2017 are given below.

Risk-free interest rate	7.43% to 7.77%
Expected life	3.89 to 5.89 years
Expected volatility	32.03% to 33.31%
Expected dividend yield	2.04% to 2.15%

Risk free interest rates over the expected term of the option are based on the government securities yield in effect at the time of the grant. The expected term of an option is estimated based on the vesting term as well as expected exercise behavior of the employees who receive the option. Expected term of option is estimated based on the historical stock option exercise pattern of the Bank. Expected volatility during the estimated expected term of the option is based on historical volatility determined based on observed market prices of the Bank's publicly traded equity shares. Expected dividends during the estimated expected term of the option are based on recent dividend activity.

The weighted average fair value of options granted during the year ended March 31, 2017 is Rs. 84.39 (March 31, 2016: Rs. 100.50).

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Schedules forming part of the Consolidated Financial Statements *(Continued)*

The following table sets forth, for the periods indicated, the summary of the status of the Bank's stock option plan.

Rs. except number of options

Particulars	Stock options outstanding Year ended March 31, 2017 Number of options	 Weighted average exercise price	 Year ended March 31, 2016 Number of options	 Weighted average exercise price
Outstanding at the beginning of the year	191,624,565	236.36	148,433,700	205.02
Add: Granted during the year	33,378,300	244.30	64,904,500	289.28
Less: Lapsed during the year, net of re-issuance	9,189,995	266.53	4,189,850	260.67
Less: Exercised during the year	9,707,705	182.60	17,523,785	161.16
Outstanding at the end of the year	**206,105,165**	**238.83**	**191,624,565**	**236.36**
Options exercisable	**109,556,465**	**214.56**	**89,788,515**	**198.08**

The following table sets forth, the summary of stock options outstanding at March 31, 2017.

Range of exercise price **(Rs. per share)**	**Number of shares arising out of options**	**Weighted average exercise price** **(Rs. per share)**	**Weighted average remaining contractual life (number of years)**
60-99	2,140,950	86.99	5.93
100-199	53,491,375	180.97	5.64
200-299	120,115,440	249.76	9.93
300-399	30,357,400	308.26	10.15

The following table sets forth, the summary of stock options outstanding at March 31, 2016.

Range of exercise price **(Rs. per share)**	**Number of shares arising out of options**	**Weighted average exercise price** **(Rs. per share)**	**Weighted average remaining contractual life (number of years)**

60-99	2,556,700	86.96	3.03
100-199	60,755,715	180.24	3.65
200-299	96,037,150	251.67	7.85
300-399	32,275,000	308.26	9.08

The options were exercised regularly throughout the period and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2017 was Rs. 257.82 (March 31, 2016: Rs. 273.37).

ICICI Life:

ICICI Prudential Life Insurance Company has formulated ESOS for their employees. There is no compensation cost for the year ended March 31, 2017 based on the intrinsic value of options. If the entity had used the fair value approach for accounting of options, there would not have been any incremental compensation cost for the year ended March 31, 2017 (for the year ended March 31, 2016: Nil).

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Schedules forming part of the Consolidated Financial Statements *(Continued)*

The following table sets forth, for the periods indicated, a summary of the status of the stock option plan of ICICI Prudential Life Insurance Company.

Rs. except number of options

	Stock options outstanding			
	Year ended March 31, 2017		**Year ended March 31, 2016**	
Particulars	**Number of shares**	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
Outstanding at the beginning of the year	5,999,175	233.72	7,057,417	232.45
Add: Granted during the year	--	--	--	--
Less: Forfeited/lapsed during the year	578,575	396.80	559,175	329.58
Less: Exercised during the year	3,021,762	108.33	499,067	108.40
Outstanding at the end of the year	**2,398,838**	**352.49**	**5,999,175**	**233.72**
Options exercisable	**2,398,838**	**352.49**	**5,999,175**	**233.72**

The following table sets forth, summary of stock options outstanding of ICICI Prudential Life Insurance Company at March 31, 2017.

Range of exercise price (Rs. per share)	**Number of shares arising out of options (number of shares)**	**Weighted average exercise price (Rs. per share)**	**Weighted average remaining contractual life (number of years)**
100-299	422,113	130.00	3.1
300-400	1,976,725	400.00	1.1

The following table sets forth, summary of stock options outstanding of ICICI Prudential Life Insurance Company at March 31, 2016.

Range of exercise price	**Number of shares arising out of options**	**Weighted average exercise price**	**Weighted average remaining contractual life**

(Rs. per share)	**(number of shares)**	**(Rs. per share)**	**(number of years)**
30-99	1,006,225	64.91	2.9
100-299	2,445,850	130.00	4.1
300-400	2,547,100	400.00	2.1

ICICI General:

ICICI Lombard General Insurance Company has formulated ESOS for their employees. There is no compensation cost for the year ended March 31, 2017 based on the intrinsic value of options. If the entity had used the fair value approach for accounting of options, there would not have been any incremental compensation cost for the year ended March 31, 2017 (for the year ended March 31, 2016: Nil).

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Schedules forming part of the Consolidated Financial Statements *(Continued)*

The following table sets forth, for the periods indicated, a summary of the status of the stock option plan of ICICI Lombard General Insurance Company.

Rs. except number of options

Particulars	**Stock options outstanding Year ended March 31, 2017**		**Year ended March 31, 2016**	
	Number of shares	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
Outstanding at the beginning of the year	7,004,248	113.71	8,121,462	109.32
Add: Granted during the year	--	--	--	--
Less: Forfeited/ lapsed during the year	78,000	193.85	200,200	148.90
Less: Exercised during the year	3,745,924	101.75	917,014	67.12
Outstanding at the end of the year	**3,180,324**	**125.83**	**7,004,248**	**113.71**
Options exercisable	**3,180,324**	**125.83**	**7,004,248**	**113.71**

The following table sets forth, summary of stock options outstanding of ICICI Lombard General Insurance Company at March 31, 2017.

Range of exercise price (Rs. per share)	**Number of shares arising out of options (number of shares)**	**Weighted average exercise price (Rs. per share)**	**Weighted average remaining contractual life (number of years)**
35-99	1,034,824	60.42	2.78
100-200	2,145,500	157.38	2.41

The following table sets forth, summary of stock options outstanding of ICICI Lombard General Insurance Company at March 31, 2016.

Range of exercise price (Rs. per share)	**Number of shares arising out of options (number of shares)**	**Weighted average exercise price (Rs. per share)**	**Weighted average remaining contractual life (number of years)**

35-99	3,251,898	57.23	3.50
100-200	3,752,350	162.66	3.03

If the Group had used the fair value of options based on the binomial tree model, the compensation cost for the year ended March 31, 2017 would have been higher by Rs. 4,926.5 million (March 31, 2016: Rs. 3,585.0 million) including additional cost of Rs. 1,369.2 million (March 31, 2016: Nil) due to change in exercise period and the proforma consolidated profit after tax would have been Rs. 96,957.3 million (March 31, 2016: Rs. 98,214.6 million). On a proforma basis, the Group's basic earnings per share would have been Rs. 16.66 (March 31, 2016: Rs. 16.91) and diluted earnings per share would have been Rs. 16.59 (March 31, 2016: Rs. 16.80).

4. Fixed assets

The following table sets forth, for the periods indicated, the movement in software acquired by the Group, as included in fixed assets.

Rs. in million

Particulars	**At March 31, 2017**	**At March 31, 2016**
At cost at March 31 of preceding year	17,803.2	15,735.1
Additions during the year	2,628.2	2,507.7
Deductions during the year	(82.8)	(439.6)
Depreciation to date	(15,941.1)	(13,615.4)
Net block	**4,407.5**	**4,187.8**

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

5. Assets on lease

Assets taken under operating lease

The following table sets forth, for the periods indicated, the details of future rentals payable on operating leases.

Rs. in million

Particulars	**At March 31, 2017**	**At March 31, 2016**
Not later than one year	455.2	470.7
Later than one year and not later than five years	1,385.9	1,195.4
Later than five years	353.7	568.8
Total	**2,194.8**	**2,234.9**

The terms of renewal are those normally prevalent in similar agreements and there are no undue restrictions in the agreements.

6. Preference shares

Certain government securities amounting to Rs. 3,219.6 million at March 31, 2017 (March 31, 2016: Rs. 3,189.8 million) have been earmarked against redemption of preference shares issued by the Bank, which fall due for redemption on April 20, 2018, as per the original terms of the issue.

7. Provisions and contingencies

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in profit and loss account.

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**

Provision for depreciation of investments	9,364.2	2,985.1
Provision towards non-performing and other assets[1]	157,453.2	77,188.6
Provision towards income tax		
- Current	31,375.6	67,365.4
- Deferred	(6,685.4)	(33,590.4)
Provision towards wealth tax	--	0.2
Collective contingency and related reserve	--	36,000.0
Other provisions and contingencies[2]	(992.6)	6,880.3
Total provisions and contingencies	**190,515.0**	**156,829.2**

1. During the year ended March 31, 2017, the Bank has utilised an amount of Rs. 36,000.0 million from collective contingency and related reserve.

2. Includes reversal of general provision towards standard assets amounting to Rs. 3,733.8 million (March 31, 2016: provision made Rs. 3,175.6 million).

The Group has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Accounting Standard - 29 on ‘Provisions, Contingent Liabilities and Contingent Assets’, the Group recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. For insurance contracts booked in its life insurance subsidiary, reliance has been placed on the Appointed Actuary for actuarial valuation of “liabilities for policies in force”. The Appointed Actuary has confirmed that the assumptions used in valuation of liabilities for policies in force are in accordance with the guidelines and norms issued by the IRDAI and the Institute of Actuaries of India in concurrence with the IRDAI.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

8. Staff retirement benefits

Pension

The following tables set forth, for the periods indicated, movement of the present value of the defined benefit obligation, fair value of plan assets and other details for pension benefits.

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Opening obligations	**14,191.6**	12,999.9
Service cost	253.7	251.0
Interest cost	1,116.5	1,034.7
Actuarial (gain)/loss	2,436.0	1,594.7
Liabilities extinguished on settlement	(1,182.5)	(1,554.0)
Benefits paid	(128.4)	(134.7)
Obligations at the end of year	**16,686.9**	**14,191.6**
Opening plan assets, at fair value	**13,191.6**	10,103.4
Expected return on plan asset	1,143.2	902.9
Actuarial gain/(loss)	589.5	(4.1)
Assets distributed on settlement	(1,313.9)	(1,726.7)
Contributions	3,406.1	4,050.8
Benefits paid	(128.4)	(134.7)
Closing plan assets, at fair value	**16,888.1**	**13,191.6**
Fair value of plan assets at the end of the year	16,888.1	13,191.6
Present value of defined benefit obligations at the end of the year	(16,686.9)	(14,191.6)
Amount not recognised as an asset (limit in Para 59(b) of AS 15 on 'employee benefits')	(68.4)	--
Asset/(liability)	**132.8**	**(1,000.0)**
Cost[1]		
Service cost	253.7	251.0
Interest cost	1,116.5	1,034.7
Expected return on plan assets	(1,143.2)	(902.9)
Actuarial (gain)/loss	1,846.5	1,598.8

Curtailments & settlements (gain)/loss	131.4	172.7
Effect of the limit in para 59(b) of AS 15 on ‘employee benefits’	68.4	--
Net cost	2,273.3	2,154.3
Actual return on plan assets	1,732.7	898.8
Expected employer’s contribution next year	3,000.0	3,000.0

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Investment details of plan assets		
Insurer Managed Funds	0.80%	1.04%
Government of India securities	47.80%	48.64%
Corporate Bonds	39.38%	43.23%
Equity securities in listed companies	6.02%	2.48%
Others	6.00%	4.61%
Assumptions		
Discount rate	6.75%	7.95%
Salary escalation rate:		
On Basic Pay	1.50%	1.50%
On Dearness Relief	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%

1. Included in line item 'Payments to and provision for employees' of Schedule 16- Operating expenses.

Estimated rate of return on plan assets is based on our expectation of the average long-term rate of return on investments of the Fund during the estimated term of the obligations.

Experience adjustment

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**	**Year ended March 31, 2015**	**Year ended March 31, 2014**	**Year ended March 31, 2013**
Plan assets	16,888.1	13,191.6	10,103.4	9,018.8	9,526.8
Defined benefit obligations	(16,686.9)	(14,191.6)	(12,999.9)	(10,209.9)	(10,392.5)
Amount not recognised as an asset (limit in para 59(b) of AS 15 on 'employee benefits')	(68.4)	--	--	--	--
Surplus/(deficit)	132.8	(1,000.0)	(2,896.5)	(1,191.1)	(865.7)
Experience adjustment on plan assets	589.5	(4.1)	104.7	(29.1)	102.3
Experience adjustment on plan liabilities	(80.0)	1,503.4	1,271.2	2,549.6	1,525.2

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Schedules forming part of the Consolidated Financial Statements ***(Continued)***

Gratuity

The following table sets forth, for the periods indicated, movement of the present value of the defined benefit obligation, fair value of plan assets and other details for gratuity benefits of the Group.

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Defined benefit obligation liability		
Opening obligations	**9,389.8**	**8,470.2**
Add: Adjustment for exchange fluctuation on opening obligation	(2.7)	4.4
Adjusted opening obligations	**9,387.1**	**8,474.6**
Service cost	954.6	834.9
Interest cost	745.5	677.5
Actuarial (gain)/loss	1,016.1	221.0
Past service cost	--	--
Obligations transferred from/to other companies	17.4	8.7
Benefits paid	(948.1)	(826.9)
Obligations at the end of year	**11,172.6**	**9,389.8**
Opening plan assets, at fair value	**8,361.6**	**7,862.7**
Expected return on plan assets	632.3	597.1
Actuarial gain/(loss)	542.2	(398.1)
Contributions	1,838.0	1,118.1
Assets transfer from/to other companies	17.4	8.7
Benefits paid	(948.1)	(826.9)
Closing plan assets, at fair value	**10,443.4**	**8,361.6**
Fair value of plan assets at the end of the year	10,443.4	8,361.6
Present value of the defined benefit obligations at the end of the year	(11,172.6)	(9,389.8)
Unrecognised past service cost	--	--
Amount not recognised as an asset (limit in para 59(b) of AS 15 on 'employee benefits')	--	--
Asset/(liability)	**(729.2)**	**(1,028.2)**
Cost for the year[1]		
Service cost	954.6	834.9
Interest cost	745.5	677.5
Expected return on plan assets	(632.3)	(597.1)
Actuarial (gain)/loss	473.9	619.1

Past service cost	--	--
Losses/(gains) on "Acquisition/Divestiture"	--	--
Exchange fluctuation loss/(gain)	(2.7)	4.3
Effect of the limit in para 59(b) of AS 15 on ‘employee benefits’	--	--
Net cost	**1,539.0**	**1,538.7**
Actual return on plan assets	1,174.2	199.0
Expected employer’s contribution next year	1,838.0	745.0
Investment details of plan assets		
Insurer managed funds	18.03%	23.19%
Government of India securities	16.15%	25.77%
Corporate bonds	42.56%	20.06%
Special Deposit schemes	2.79%	3.48%
Equity	12.23%	11.22%
Others	8.24%	16.28%

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Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Assumptions		
Discount rate	6.75% -7.55%	7.50%-8.05%
Salary escalation rate	7.00% -10.00%	7.00%-10.00%
Estimated rate of return on plan assets	7.50% -8.00%	7.50%-8.50%

1. Included in line item 'Payments to and provision for employees' of Schedule 16- Operating expenses.

Estimated rate of return on plan assets is based on the expectation of the average long-term rate of return on investments of the Fund during the estimated term of the obligations.

Experience adjustment

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**	**Year ended March 31, 2015**	**Year ended March 31, 2014**	**Year ended March 31, 2013**
Plan assets	10,443.4	8,361.6	7,862.7	6,744.3	6,394.9
Defined benefit obligations	(11,172.6)	(9,389.8)	(8,470.2)	(7,252.6)	(6,887.3)
Amount not recognised as an asset (limit in para 59(b) of AS 15 on 'employee benefits')	--	--	--	(0.1)	(0.5)
Surplus/(deficit)	(729.2)	(1,028.2)	(607.5)	(508.4)	(492.9)
Experience adjustment on plan assets	542.2	(398.1)	699.4	(8.4)	51.0
Experience adjustment on plan liabilities	269.8	171.4	70.6	308.7	216.0

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

Provident Fund (PF)

As there is no liability towards interest rate guarantee on exempt provident fund on the basis of actuarial valuation, the Group has not made any provision for the year ended March 31, 2017 (March 31, 2016: Nil).

The following tables set forth, for the periods indicated, movement of present value of the defined benefit obligation, fair value of plan assets and other details for provident fund of the Group.

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Opening obligations	**23,209.5**	**20,683.7**
Service cost	1,225.8	1,044.9
Interest cost	1,800.7	1,614.4
Actuarial (gain)/loss	310.6	252.5
Employees contribution	2,379.6	2,150.8
Obligations transferred from/to other companies	141.0	68.1
Benefits paid	(2,868.4)	(2,604.9)
Obligations at end of the year	**26,198.8**	**23,209.5**
Opening plan assets	**23,209.5**	**20,683.7**
Expected return on plan assets	2,119.6	1,839.8
Actuarial gain/(loss)	(8.3)	27.1
Employer contributions	1,225.8	1,044.9
Employees contributions	2,379.6	2,150.8
Assets transfer from/to other companies	141.0	68.1
Benefits paid	(2,868.4)	(2,604.9)
Closing plan assets	**26,198.8**	**23,209.5**
Plan assets at the end of the year	26,198.8	23,209.5
Present value of the defined benefit obligations at the end of the year	(26,198.8)	(23,209.5)
Asset/(liability)	**--**	**--**

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Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Cost for the year[1]		
Service cost	1,225.8	1,044.9
Interest cost	1,800.7	1,614.4
Expected return on plan assets	(2,119.6)	(1,839.8)
Actuarial (gain)/loss	318.9	225.4
Net cost	**1,225.8**	**1,044.9**
Actual return on plan assets	2,111.3	1,866.9
Expected employer's contribution next year	1,313.0	1,119.3
Investment details of plan assets		
Government of India securities	43.93%	42.48%
Corporate Bonds	49.50%	52.49%
Special deposit scheme	2.08%	2.35%
Others	4.49%	2.67%
Assumptions		
Discount rate	6.75%-7.45%	7.65%-7.95%
Expected rate of return on assets	7.90%-9.09%	8.22%-9.03%
Discount rate for the remaining term to maturity of investments	7.00%-7.20%	7.68%-7.95%
Average historic yield on the investment	8.20%-8.99%	8.14%-9.01%
Guaranteed rate of return	8.65%	8.75%

1. Included in line item ‘Payments to and provision for employees’ of Schedule 16- Operating expenses.

Experience adjustment

Rs. in million

Particulars	**Year ended March 31, 2017**	**Year ended March 31, 2016**	**Year ended March 31, 2015**	**Year ended March 31, 2014**
Plan assets	26,198.8	23,209.5	20,683.7	18,352.7
Defined benefit obligations	(26,198.8)	(23,209.5)	(20,683.7)	(18,356.2)
Amount not recognised as an asset (limit in para 59(b) AS 15 on ‘employee benefits’)	--	--	--	--
Surplus/(deficit)	--	**--**	**--**	**(3.5)**
Experience adjustment on plan assets	(8.3)	27.1	347.0	(136.3)
Experience adjustment on plan liabilities	310.5	252.5	325.7	(9.9)

The Group has contributed Rs. 2,432.9 million to provident fund including Government of India managed employees provident fund for the year ended March 31, 2017 (March 31, 2016: Rs. 2,167.6 million), which includes compulsory contribution made towards employee pension scheme under Employees Provident Fund and Miscellaneous Provisions Act, 1952.

9. Provision for income tax

The provision for income tax (including deferred tax) for the year ended March 31, 2017 amounted to Rs. 24,690.2 million (March 31, 2016: Rs. 33,775.0 million).

The Group has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. The management is of the opinion that all international transactions are at arm's length so that the above legislation will not have material impact on the financial statements.

10. Deferred tax

At March 31, 2017, the Group has recorded net deferred tax asset of Rs. 56,128.0 million (March 31, 2016: Rs. 49,611.9 million), which have been included in other assets.

The following table sets forth, for the periods indicated, the break-up of deferred tax assets and liabilities into major items.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements ***(Continued)***

Rs. in million

Particulars	**At March 31, 2017**	**At March 31, 2016**
Deferred tax asset		
Provision for bad and doubtful debts	79,581.1	70,339.8
Capital loss	--	--
Foreign currency translation reserve[1]	5,721.3	5,877.5
Others	6,231.6	6,232.7
Total deferred tax asset	**91,534.0**	**82,450.0**
Deferred tax liability		
Special reserve deduction	27,811.3	26,632.2
Mark-to-market gains[1]	354.0	715.4
Depreciation on fixed assets	5,354.0	5,329.4
Interest on refund of taxes[1]	1,559.6	--
Others	327.1	161.1
Total deferred tax liability	**35,406.0**	**32,838.1**
Total net deferred tax asset/(liability)	**56,128.0**	**49,611.9**

1. These items are considered in accordance with the requirements of Income Computation and Disclosure Standards.

During the year ended March 31, 2017, pursuant to the press release dated July 6, 2016 issued by the Ministry of Finance, the tax provision and corresponding deferred tax created for the year ended March 31, 2016 was reversed on account of Income Computation and Disclosure Standards (ICDS). As the ICDS are applicable from the year ended March 31, 2017, the tax provision and deferred tax for the year ended March 31, 2017 have been computed after considering their impact.

11. Information about business and geographical segments

A. Business Segments

The business segments of the Group have been presented as follows:

i. Retail banking includes exposures of the Bank which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework". This segment also includes income from credit cards, debit cards, third party product distribution and associated cost.

ii. Wholesale banking includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included under Retail banking.

iii. Treasury includes the entire investment and derivative portfolio of the Bank, ICICI Equity Fund (upto September 30, 2015) and ICICI Strategic Investments Fund.

iv. Other banking includes leasing operations and other items not attributable to any particular business segment of the Bank. Further, it includes the Bank's banking subsidiaries i.e. ICICI Bank UK PLC and ICICI Bank Canada.

v. Life insurance represents results of ICICI Prudential Life Insurance Company Limited.

vi. General insurance represents results of ICICI Lombard General Insurance Company Limited.

vii. Others includes ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Securities Primary Dealership Limited, ICICI Securities Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Investment Management Company Limited,

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

ICICI Trusteeship Services Limited, I-Ven Biotech Limited (upto December 31, 2015) and ICICI Prudential Pension Funds Management Company Limited.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

All liabilities of the Bank are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The transfer pricing mechanism of the Bank is periodically reviewed. The segment results are determined based on the transfer pricing mechanism prevailing for the respective reporting periods.

The results of reported segments for the year ended March 31, 2017 are not comparable with that of reported segments for the year ended March 31, 2016 to the extent new entities have been consolidated and entities that have been discontinued from consolidation.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

The following table sets forth, the business segment results for the year ended March 31, 2017.

Rs. in million

Sr. no.	Particulars	Retail banking	Wholesale banking	Treasury	Other banking business	Life insurance	General insurance	Others	Inter-segment adjustments	Total
1	Revenue	453,911.8	306,405.7	542,908.7	38,400.8	270,526.5	84,339.3	55,312.1	(617,828.6)	1,133,976.
2	**Segment results**	**53,853.0**	**(74,341.1)**	**120,814.5**	**3,021.7**	**17,848.6**	**9,101.0**	**21,764.3**	**(13,968.5)**	**138,093.5**
3	Unallocated expenses									--
4	Operating profit (2) – (3)									138,093.5
5	Income tax expenses (net)/(net deferred tax credit)									24,690.2
6	**Net profit** [1] **(4) – (5)**									**113,403.3**
	Other information									
7	Segment assets	2,136,950.4	2,612,652.8	2,748,508.8	643,246.1	1,244,377.1	230,609.9	257,375.8	(132,377.1)	9,741,343.
8	Unallocated assets[2]									119,082.8
9	**Total assets (7) + (8)**									**9,860,426.**
10	Segment liabilities	3,678,085.9	1,495,191.4	2,511,263.2[3]	568,308.2[3]	1,247,425.2[3]	233,508.8[3]	259,021.0[3]	(132,377.1)[3]	9,860,426.
11	Unallocated liabilities									--
12	**Total liabilities (10) + (11)**									**9,860,426.**

13	Capital expenditure	6,547.3	616.2	19.4	77.5	4,324.1	629.5	333.3	--	12,547.3
14	Depreciation	6,396.2	1,108.6	15.6	145.0	578.3	547.6	341.5	(16.4)	9,116.4

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net), deferred tax asset (net).

3. Includes share capital and reserves and surplus.

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Schedules forming part of the Consolidated Financial Statements *(Continued)*

The following table sets forth, the business segment results for the year ended March 31, 2016.

Rs. in million

Sr. no.	**Particulars**	**Retail banking**	**Wholesale banking**	**Treasury**	**Other banking business**	**Life insurance**	**General insurance**	**Others**	**Inter-segment adjustments**	**T**
1	Revenue	391,878.0	328,923.5	483,414.5	39,343.1	231,798.6	66,995.2	46,484.7	(574,879.1)	1
2	**Segment results**	**38,977.4**	**(12,454.3)**	**86,162.7**	**6,790.0**	**17,715.8**	**7,076.9**	**14,251.9**	**(15,476.3)**	**1**
3	Unallocated expenses									--
4	Operating profit (2) – (3)									1
5	Income tax expenses (net)/(net deferred tax credit)									3
6	**Net profit [1] (4) – (5)**									**1**
	Other information									
7	Segment assets	1,724,805.5	2,663,659.1	2,580,816.4	799,535.9	1,046,996.2	153,745.8	279,392.0	(146,320.0)	9
8	Unallocated assets[2]									8
9	**Total assets (7) + (8)**									**9**
10	Segment liabilities	3,133,932.7	1,197,853.2	2,764,452.7[3]	750,871.6[3]	1,048,622.5[3]	156,758.4[3]	281,390.9[3]	(146,320.0)[3]	9
11	Unallocated liabilities									--
12	**Total liabilities (10) + (11)**									**9**
13	Capital expenditure	6,474.5	937.0	11.2	166.9	539.4	464.5	351.8	--	8
14	Depreciation	5,718.9	1,016.3	14.9	327.1	455.4	565.4	349.6	(16.5)	8

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net), deferred tax asset (net).

3. Includes share capital and reserves and surplus.

ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

B. Geographical segments

The Group has reported its operations under the following geographical segments.

1. **Domestic operations** comprise branches and subsidiaries/joint ventures in India.

2. **Foreign operations** comprise branches and subsidiaries/joint ventures outside India and offshore banking unit in India.

The Group conducts transactions with its customers on a global basis in accordance with their business requirements, which may span across various geographies.

The following tables set forth, for the periods indicated, the geographical segment results.

Rs. in million

Revenue	**Year ended March 31, 2017**	**Year ended March 31, 2016**
Domestic operations	1,059,385.7	932,781.3
Foreign operations	74,590.6	81,177.2
Total	**1,133,976.3**	**1,013,958.5**

Rs. in million

Assets	**At March 31, 2017**	**At March 31, 2016**
Domestic operations	8,303,117.5	7,321,480.0
Foreign operations	1,438,226.3	1,781,150.9
Total	**9,741,343.8**	**9,102,630.9**

Note: Segment assets do not include tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

The following table sets forth, for the periods indicated, capital expenditure and depreciation thereon for the geographical segments.

Rs. in million

Particulars	Capital expenditure incurred during the		Depreciation provided during the	
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2016
Domestic operations	12,437.2	8,687.2	8,958.2	8,270.7
Foreign operations	110.1	258.1	158.2	160.4
Total	**12,547.3**	**8,945.3**	**9,116.4**	**8,431.1**

12. Penalties/fines imposed by banking regulatory bodies

The penalty imposed by RBI and other banking regulatory bodies during the year ended March 31, 2017 was Nil (March 31, 2016: Nil).

13. Additional information to consolidated accounts

Additional information to consolidated accounts at March 31, 2017 (Pursuant to Schedule III of the Companies Act, 2013)

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ICICI Bank Limited and subsidiaries

Schedules forming part of the Consolidated Financial Statements *(Continued)*

Rs. in million

Name of the entity	**Net assets**[1]		**Share in profit or loss**	
	% of total net assets	**Amount**	**% of total net profit**	**Amount**
Parent				
ICICI Bank Limited	95.5%	999,510.7	96.2%	98,010.9
Subsidiaries				
Indian				
ICICI Securities Primary Dealership Limited	0.9%	9,435.2	4.0%	4,116.0
ICICI Securities Limited				