BASEL - PILLAR 3 DISCLOSURES (CONSOLIDATED) AT SEPTEMBER 30, 2017

Reserve Bank of India (RBI) issued Basel III guidelines applicable with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. Upon full implementation of Basel III guidelines, the minimum capital to risk-weighted assets ratio (CRAR) would be 11.65%, minimum Common Equity Tier-1 (CET1) CRAR ratio would be 8.15% and minimum Tier-1 CRAR ratio would be 9.65%. This includes capital conservation buffer (CCB) and Domestic Systemically Important Bank (D-SIB).

As per the transitional arrangement, at September 30, 2017, ICICI Bank (the Bank) is required to maintain minimum CET1 CRAR of 6.85%, minimum Tier-1 CRAR of 8.35% and minimum total CRAR of 10.35%. The minimum capital requirement includes capital conservation buffer (CCB) of 1.25% and additional CET1 capital surcharge of 0.10% on account of the Bank being designated as a Domestic Systemically Important Bank (D-SIB).

The Basel III framework consists of three-mutually reinforcing pillars:

(i) Pillar 1: Minimum capital requirements for credit risk, market risk and operational risk
(ii) Pillar 2: Supervisory review of capital adequacy
(iii) Pillar 3: Market discipline

Market discipline (Pillar 3) comprises set of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in the following sections.

Table DF-1: Scope of Application

a. Group entities considered for consolidation

The following table lists ICICI Bank's financial and non-financial subsidiaries, associates, joint ventures and other entities consolidated for preparation of consolidated financial statements and their treatment in consolidated capital adequacy computations.

Name of the entity [Country of incorporation]	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
ICICI Bank UK PLC [United Kingdom]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Bank Canada [Canada]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Securities Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Securities Holdings Inc.	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable

Name of the entity [Country of incorporation]	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
[USA]						
ICICI Securities Inc. [USA]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Securities Primary Dealership Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Venture Funds Management Company Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Home Finance Company Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Trusteeship Services Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Investment Management Company Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI International Limited [Mauritius]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Prudential Pension Funds Management Company Limited[1] [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Prudential Life Insurance Company Limited [India]	Yes	Consolidated as per AS 21	No	Not applicable	Not applicable	This is an insurance entity and not required to be consolidated for regulatory reporting. Investment in this entity is deducted from capital for capital adequacy computation.
ICICI Lombard General Insurance Company Limited [India]	Yes	Consolidated as per AS 21	No	Not applicable	Not applicable	This is an insurance entity and not required to be consolidated for regulatory reporting. Investment in this entity is deducted from capital for capital adequacy computation.

Name of the entity [Country of incorporation]	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
ICICI Prudential Asset Management Company Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Prudential Trust Limited [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Strategic Investments Fund [India]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
I-Process Services (India) Private Limited[2] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	The consolidation of this entity is done by equity method. Investment in this entity is risk weighted for capital adequacy computation
NIIT Institute of Finance Banking and Insurance Training Limited[2] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	The consolidation of this entity is done by equity method. Investment in this entity is risk weighted for capital adequacy computation
ICICI Merchant Services Private Limited[2] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	The consolidation of this entity is done by equity method. Investment in this entity is risk weighted for capital adequacy computation
India Infradebt Limited[2] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	The consolidation of this entity is done by equity method. Investment in this entity is risk weighted for capital adequacy computation
India Advantage Fund-III[2] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	The consolidation of this entity is done by equity method. Investment in this entity is risk weighted for capital adequacy computation

Name of the entity [Country of incorporation]	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scope of consolidation
India Advantage Fund-IV[2] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	The consolidation of this entity is done by equity method. Investment in this entity is risk weighted for capital adequacy computation

1. ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.
2. These entities are accounted as per the equity method as prescribed by AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements'.

b. Group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

There are no group entities that are not considered for consolidation under both the accounting scope of consolidation and regulatory scope of consolidation.

c. Group entities considered for regulatory scope of consolidation

The following table lists the group entities considered under regulatory scope of consolidation at September 30, 2017

₹ in million

Name of the entity [Country of incorporation]	Principle activity of the entity	Total equity capital	Total assets
ICICI Bank UK PLC [United Kingdom]	Banking	18,044.6	239,260.8
ICICI Bank Canada [Canada]	Banking	22,689.9	326,642.5
ICICI Securities Limited [India]	Securities broking and merchant banking	1,610.7	24,389.7
ICICI Securities Holdings Inc. [USA]	Holding company	728.2	127.3
ICICI Securities Inc. [USA]	Securities broking	571.7	193.1
ICICI Securities Primary Dealership Limited [India]	Securities investment, trading and underwriting	1,563.4	206,700.6
ICICI Venture Funds Management Company Limited [India]	Private equity/venture capital fund management	10.0	3,542.4
ICICI Home Finance Company	Housing finance		

Name of the entity [Country of incorporation]	Principle activity of the entity	Total equity capital	Total assets
Limited [India]		10,987.5	98,058.5
ICICI Trusteeship Services Limited [India]	Trusteeship services	0.5	6.4
ICICI Investment Management Company Limited [India]	Asset management	100.0	109.7
ICICI International Limited [Mauritius]	Asset management	36.8	99.9
ICICI Prudential Pension Funds Management Company Limited [India]	Pension fund management	290.0	281.0
ICICI Prudential Asset Management Company Limited [India]	Asset management company	176.5	10,966.4
ICICI Prudential Trust Limited [India]	Trustee company	1.0	13.9
ICICI Strategic Investments Fund [India]	Unregistered venture capital fund	1,428.1	258.5

d. Capital deficiency in subsidiaries

Majority owned financial entities that are not consolidated for capital adequacy purposes and for which the investment in equity and other instruments eligible for regulatory capital status are deducted from capital, meet their respective regulatory capital requirements at all times. There is no deficiency in capital in any of the subsidiaries of the Bank at September 30, 2017. The Bank maintains an active oversight on its subsidiaries through its representation on their respective Boards. On a periodic basis the capital adequacy/solvency position of subsidiaries (banking, non-banking and insurance subsidiaries), as per the applicable regulations, is reported to their respective Boards as well as to the Board of the Bank.

e. Bank's interest in insurance entities

Following table gives the details of the Bank's interest in insurance entities at September 30, 2017.

₹ in million

Name of the entity [Country of incorporation]	Principle activity of the entity	Total equity capital	% of Bank's holding in the total equity	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
ICICI Prudential Life Insurance Company Limited [India]	Life insurance	14,354.7	54.88%	40 bps positive impact on CRAR
ICICI Lombard General Insurance Company Limited [India]	General insurance	4,539.5	55.92%	17 bps positive impact on CRAR

f. Restrictions or impediments on transfer of funds or regulatory capital within the group

Transfer of funds and regulatory capital are subject to local laws and regulation of host countries as applicable.

Table DF-2: CAPITAL ADEQUACY

Qualitative disclosures

a. Capital management

Objective

The Bank actively manages its capital to meet regulatory norms and current and future business needs considering the risks in its businesses, expectation of rating agencies, shareholders and investors, and the available options of raising capital.

Organisational set-up

The capital management framework of the Bank is administered by the Finance Group and the Risk Management Group (RMG) under the supervision of the Board and the Risk Committee.

Regulatory capital

ICICI Bank

Reserve Bank of India (RBI) issued Basel III guidelines applicable with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. Upon full implementation of Basel III guidelines, the minimum capital to risk-weighted assets ratio (CRAR) would be 11.65%, minimum Common Equity Tier-1 (CET1) CRAR ratio would be 8.15% and minimum Tier-1 CRAR ratio would be 9.65%. This includes capital conservation buffer (CCB) and Domestic Systemically Important Bank (D-SIB).
.
As per the transitional arrangement, at September 30, 2017, ICICI Bank (the Bank) is required to maintain minimum CET1 CRAR of 6.85%, minimum Tier-1 CRAR of 8.35% and minimum total CRAR of 10.35%. The minimum capital requirement includes capital conservation buffer (CCB) of 1.25% and additional CET1 capital surcharge of 0.10% on account of the Bank being designated as a Domestic Systemically Important Bank (D-SIB).

Under Pillar 1 of the RBI guidelines on Basel III, the Bank follows the standardised approach for credit and market risk and basic indicator approach for operational risk.

Subsidiaries

Each subsidiary in the Group assesses the adequate level of capitalisation required to meet its respective host regulatory requirements and business needs. The Board of each subsidiary maintains oversight over the capital adequacy framework for the subsidiary either directly or through separately constituted committees.

Internal assessment of capital

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalisation for the Bank to meet regulatory norms and current and future business needs, including under stress scenarios. The ICAAP is formulated at both standalone bank level and the consolidated group level. The ICAAP 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 covers the policies, processes, methodologies and frameworks established for the management of material risks.

Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Based on the stress testing framework, the Bank conducts stress tests on its various portfolios and assesses the impact on its CRAR and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress testing framework in an effort to ensure that the stress scenarios capture material risks as well as reflect market conditions and operating

environment. The business and capital plans and the stress testing results of certain key group entities are integrated into the ICAAP.

Based on the ICAAP, the Bank determines the level of capital that needs to be maintained by considering the following in an integrated manner:

- Bank's strategic focus, business plan and growth objectives;
- regulatory capital requirements as per the RBI guidelines;
- assessment of material risks and impact of stress testing;
- perception of shareholders and investors;
- future strategy with regard to investments or divestments in subsidiaries; and
- evaluation of options to raise capital from domestic and overseas markets, as permitted by RBI from time to time.

Monitoring and reporting

The Board of Directors of the Bank maintains an active oversight over the Bank's capital adequacy levels. On a quarterly basis, an analysis of the capital adequacy position and the risk weighted assets and an assessment of the various aspects of Basel III on capital and risk management as stipulated by RBI, are reported to the Board. Further, the capital adequacy position of the banking subsidiaries and the significant non-banking subsidiaries based on the respective host regulatory requirements is also reported to the Board on a periodic basis. In line with the RBI requirements for consolidated prudential report, the capital adequacy position of the Group (consolidated) is reported to the Board on a quarterly basis.

Further, the ICAAP which is an annual process also serves as a mechanism for the Board to assess and monitor the Bank's and the Group's capital adequacy position over a four- year time horizon.

Quantitative disclosures

Capital requirements for various risk areas (September 30, 2017)

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel III. The total capital adequacy ratio of the Bank at a standalone level at September 30, 2017 as per the RBI guidelines on Basel III is 17.56% with a Tier-1 capital adequacy ratio of 14.50%. The total capital adequacy ratio of the Group (consolidated) at September 30, 2017 as per the RBI guidelines on Basel III is 17.14% with a Tier-1 capital adequacy ratio of 14.30%.

As required by RBI guidelines on Basel III, the Bank's capital requirements (at group level) have been computed using the Standardised approach for credit risk, Standardised Measurement method for market risk and Basic Indicator approach for operational risk. Capital required for credit, market and operational risks given below is arrived at after multiplying the risk weighted assets by 10.35%.

₹ in million

	Amount[1]
b. Capital required for credit risk	**588,956.2**
- for portfolio subject to standardised approach	584,636.2
- for securitisation exposure	4,320.0
c. Capital required for market risk	**61,841.8**
- for interest rate risk[2]	45,989.7
- for foreign exchange (including gold) risk	1,353.6
- for equity position risk	14,498.5
d. Capital required for operational risk	**69,571.0**
Total capital requirement (b+c+d)	**720,369.0**
Total capital funds of the Group	**1,193,301.8**
Total risk weighted assets	**6,960,087.5**
Capital adequacy ratio	**17.14%**

1. Includes all entities considered for Basel III capital adequacy computation.
2. Includes capital required of ₹ 3,632.5 million for securitisation exposure.

e. Common Equity Tier 1, Tier 1 and Total CRAR

The CRAR of the Bank and its banking subsidiaries at September 30, 2017 are given below.

CRAR	ICICI Bank Ltd (consolidated)[1,4]	ICICI Bank Ltd (standalone)[1,4]	ICICI Bank UK PLC[1,2]	ICICI Bank Canada[1,3]
CET1 CRAR	13.60%	13.72%	14.21%	21.19%
Tier-1 CRAR	14.30%	14.50%	14.21%	21.19%
Total CRAR	17.14%	17.56%	16.20%	21.19%

1. Computed as per capital adequacy guidelines issued by regulators of respective jurisdictions.
2. As per UK Prudential Regulation Authority (PRA) Basel III guidelines.
3. As per Office of the Superintendent of Financial Institutions (OSFI) Basel III guidelines.
4. Excludes retained earnings for H1-2018.

RISK EXPOSURE AND ASSESSMENT

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to.

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

1. The Board of Directors has oversight on all the risks assumed by the Bank. Specific Committees of the Board have been constituted to facilitate focused oversight of various risks. The Risk Committee reviews the risk management policies, the Bank's compliance with risk management guidelines stipulated by the RBI and the status of implementation of the advanced approaches under the Basel framework. It reviews the risk dashboard covering areas such as credit risk, interest rate risk, liquidity risk,

foreign exchange risk, operational and outsourcing risks and the limits framework, including stress test limits for various risks. The Risk Committee also reviews the risk profile of the overseas banking subsidiaries and certain other key subsidiaries. The Credit Committee reviews developments in key industrial sectors and the Bank's exposure to these sectors and various portfolios on a periodic basis. The Audit Committee provides direction to and also monitors the quality of the internal audit function.

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

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

The risk management framework forms the basis of developing consistent risk principles across the Bank including its overseas branches and overseas banking subsidiaries.

Material risks are identified, measured, monitored and reported to the Board of Directors and the Board level Committees.

Measurement of risks for capital adequacy purposes

Under Pillar 1 of the extant RBI guidelines on Basel III, the Bank currently follows the standardised approach for credit risk, standardised measurement method for market risk and basic indicator approach for operational risk.

CREDIT RISK

Table DF-3: Credit risk: General disclosures for all banks

The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts.

Policies and processes

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

The delegation structure for approval of credit limits is approved by the Board of Directors. The delegation is based on the level of risk and the quantum of exposure, to ensure that the transactions with higher exposure and level of risk are put up to correspondingly higher forum/committee for approval. All credit proposals other than retail products, program lending and certain other specified products are rated

internally by the Risk Management Group (RMG) prior to approval by the appropriate forum.

- Credit facilities with respect to retail products are provided as per approved product policies. All products and policies require the approval of the Committee of Executive Directors. The individual credit proposals are evaluated and approved by executives on the basis of the product policies. The sourcing and approval are segregated to achieve independence. The Credit Risk Management Group, Product and Policy Group and credit teams are assigned complementary roles to facilitate effective credit risk management for retail assets.

- Program lending involves a cluster-based approach wherein a lending program is implemented for a homogeneous group of individuals/business entities which comply with certain laid down parameterised norms. The approving authority as per the Board approved authorisation lays down these parameters.

- For certain products including dealer funding and builder finance up to certain threshold limits and for facilities fully collateralised by cash and cash equivalents, the delegation structure approved by the Board of Directors may permit exemption from the stipulation pertaining to internal rating, up to a certain loan amount. Credit approval limits with respect to such products are laid out in the delegation structure approved by the Board of Directors.

Structure and organisation

RMG is responsible for rating of the credit portfolio, tracking trends in various industries and periodic reporting of portfolio-level changes. The group is segregated into sub-groups for corporate, banks, sovereign and financial institutions, small enterprises, rural and agri-linked banking group and retail businesses.

The overseas banking subsidiaries of the Bank have also established broadly similar structures to ensure adequate risk management, factoring in the risks particular to the respective businesses and the regulatory and statutory guidelines. The risk heads of all overseas banking subsidiaries have a reporting relationship to the Head-RMG, in addition to reporting to the Chief Executive Officer of the respective subsidiaries.

Credit risk assessment process

There exists a structured and standardised credit approval process including a comprehensive credit risk assessment process, which encompasses analysis of relevant quantitative and qualitative information to ascertain credit rating of the borrower.

The credit rating process involves assessment of risk emanating from various sources such as industry risk, business risk, financial risk, management risk, project risk and structure risk.

In respect of retail advances, the Bank's credit officers evaluate credit proposals on the basis of the product policy reviewed by the Credit Risk Management Group and approved by the Committee of Executive Directors.

Credit approval authorisation structure

The Board of Directors has delegated the approving authority to committees such as the Credit Committee (CC) (comprising a majority of independent Directors), the Committee of Executive Directors (COED) (comprising wholetime Directors), the Committee of Senior Management (COSM) (comprising wholetime Directors and Group Executives/Presidents and select Senior General Managers), the Committee of Executives (COE), the Regional Committee, Small and Medium Enterprise and Corporate Agri Group Forums (SMEAG forums) and Retail Credit Forums (RCFs) (comprising designated executives) and also to individual executives (under joint delegation). SMEAG forums, RCFs and individual executives can approve proposals under program norms approved by the COED. The above authorities can approve financial assistance within certain individual and group exposure limits set by the Board of Directors. The authorisation is based on the level of risk and the quantum of exposure, to ensure that the transactions with higher exposure and level of risk are put up to correspondingly higher forum/committee for approval.
In respect of retail loans, all exposures are approved under operating notes or programs approved by the COED. The norms vary across product segments/customer profile, but typically include factors such as the borrower's income, the loan-to-value ratio and demographic parameters. The individual credit proposals are evaluated and approved by executives on the basis of the product policies.

Credit risk monitoring process

For effective monitoring of credit facilities, the Bank has laid down a credit supervision mechanism which includes monitoring tools such as stock audits, unit visits, risk based asset quality reviews (AQRs), etc. As per the risk based review framework, AQRs are done on quarterly, half-yearly or annual basis based on the rating and exposure of the borrower. The AQR framework ensures that borrowers with higher exposure and level of risk are reviewed more frequently.

For corporate, small enterprises and rural and agriculture linked banking business, Credit Middle Office Group (CMOG) verifies adherence to the terms of the approval prior to commitment and disbursement of credit facilities. The Bank has formed a dedicated Credit Monitoring Group (CMG), distinct from the client relationship and risk management teams, to further enhance and strengthen the monitoring of the corporate and SME portfolio. This group is responsible for day-to-day monitoring of the portfolio, as well as providing structured inputs for proactive portfolio monitoring, leveraging analytics and developing predictive models and parameters for early warning signals.

The Bank has established centralised operations to manage operating risk in the various back-office processes of its retail assets business except for a few operations, which are decentralised 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 (DSMG) structured along various product lines and geographical locations, to manage debt recovery. The group operates under the guidelines of a standardised recovery process. The Bank has established the Financial Crime Prevention Group (FCPG), as a dedicated and independent group, overseeing/handling the fraud prevention, detection, investigation, monitoring, reporting and awareness creation activities. Critical functions

of FCPG include addressing fraud risk at the customer acquisition stage, investigation of reported or suspected frauds, monitoring of debit/credit card and internet banking transactions, compliance with regulatory requirements relating to fraud reporting, vulnerability assessment reviews in banking operations like branch banking, operations, treasury, cards, electronic channels and international branches and subsidiaries. Investigation activity covers reported/suspected frauds in various areas including internal frauds, which are handled by a Special Investigation Unit. Awareness creation activities cover various stakeholders including customers and employees.

Reporting and measurement

Credit exposure for the Bank is measured and monitored using a centralised exposure management system. The analysis of the composition of the portfolio is presented to the Risk Committee on a periodic basis.

The Bank complies with the norms on exposure stipulated by RBI for both single borrower as well as borrower group at the consolidated level. Limits have been set as a percentage of the Bank's consolidated capital funds and are regularly monitored. The utilisation against specified limits is reported to the COED and Credit Committee on a periodic basis

Credit concentration risk

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, sensitive sectors, underlying collateral nature and single/group borrower exposures.

Limits have been stipulated on single borrower, borrower group, industry and longer tenure exposure to a borrower group. Exposure to top 10 borrowers and borrower groups, exposure to capital market segment and unsecured exposures for the ICICI Group (consolidated) are reported to the senior management committees on a periodic basis. Limits on countries and bank counterparties have also been stipulated. In addition, a framework has been created for managing concentration risk. It specifies various single borrower exposure thresholds along with authorisation matrix that must be followed in case exposures exceed the stipulated thresholds. It also specifies, limits on exposure to internally lower rated borrowers and limits on exposures to borrower groups over and above the prudential limits prescribed by the regulator.

Definition and classification of non-performing assets (NPAs)

The Bank classifies its advances (loans and credit substitutes in the nature of an advance) into performing and non-performing loans in accordance with the extant RBI guidelines.

An NPA is defined as a loan or an advance where:

i) interest and/or installment of principal remain overdue for more than 90 days in respect of a term loan. Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank;

ii) if the interest due and charged during a quarter is not serviced fully within 90 days from the end of the quarter;

iii) the account remains 'out of order' in respect of an overdraft/cash credit facility. An account is treated as 'out of order' if:

  a. the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days; or

  b. where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of the balance sheet; or

  c. credits in the account are not enough to cover the interest debited during the accounting period; or

  d. drawings have been permitted in the account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working or the borrower's financial position is satisfactory; or

  e. the regular/*ad hoc* credit limits have not been reviewed/ renewed within 180 days from the due date/date of *ad hoc* sanction.

iv) a bill purchased/discounted by the Bank remains overdue for a period of more than 90 days;

v) interest and/or installment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops;

vi) In respect of a securitisation transaction undertaken in terms of the RBI guidelines on securitisation, the amount of liquidity facility remains outstanding for more than 90 days;

vii) In respect of derivative transaction, if the overdue receivable representing positive mark-to-market value of a derivative contract, remains unpaid for a period of 90 days from the specified due date for payment.

Irrespective of payment performance, the Bank identifies a borrower account as an NPA even if it does not meet any of the above mentioned criteria, where:

- loans availed by a borrower are repeatedly restructured unless otherwise permitted by regulations;
- loans availed by a borrower are classified as fraud;
- project does not commence commercial operations within the timelines permitted under the RBI guidelines in respect of the loans extended to a borrower for the purpose of implementing a project;
- the borrower's loans are restructured by the Bank. However, loans given for the purpose of implementing a project and which are restructured because of a change in the documented date of commencement of commercial operations (DCCO) are not classified as non-performing, subject to certain conditions being fulfilled;
- any security in nature of debenture/bonds/equity shares issued by a borrower and held by the Bank is classified as non-performing investment.

Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained an NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

For loans held at the overseas branches, identification of NPAs is based on the home country regulations (RBI guidelines) or the host country regulations (overseas branch regulator's guidelines), whichever is more stringent.

In the case of ICICI Home Finance Company Limited, 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, such additional provisions are necessary.

In the case of the Bank's overseas banking subsidiaries, loans are stated net of allowance for credit losses. Loans are classified as impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the loans that can be reliably estimated. An allowance for impairment losses is maintained at a level that management considers adequate to absorb identified credit related losses as well as losses that have occurred but have not yet been identified.

Restructured assets

Upto March 31, 2015, as per RBI guidelines, a fully secured standard loan could be restructured by rescheduling principal repayments and/or the interest element, but had to be separately disclosed as a restructured loan in the year of restructuring. Similar guidelines applied to restructuring of sub-standard and doubtful loans. From April 1, 2015 a standard loan (except loans restructured on account of a change in DCCO) on restructuring would be classified as non-performing loan and disclosed as restructured non-performing loan in the year of restructuring.

Further, the RBI had issued guidelines for change in management under strategic debt restructuring (SDR) scheme, and change in management outside strategic debt restructuring scheme and scheme for sustainable structuring of stressed assets (S4A) in FY2016 and FY2017. These schemes provide forbearance in asset classification during a stand-still period, which varies from six months to 18 months across the schemes.

Credit risk exposures

Credit risk exposures (excluding specific risk on available-for-sale and held-for-trading portfolio) include all credit exposures as per RBI guidelines on exposure norms and investments in the held-to-maturity category. Exposures to regulatory capital instruments of subsidiaries that are deducted from the capital funds have been excluded.

The following table sets forth the details of credit exposure at September 30, 2017.

₹ in million

Category	Credit exposure
Fund-based facilities[1]	8,350,954.9
Non-fund based facilities	2,688,798.0
Total[2]	**11,039,752.9**

1. Includes investment in government securities held under held-to-maturity category.
2. Includes all entities considered for Basel III capital adequacy computation.

a. Geographic distribution of exposures at September 30, 2017

₹ in million

Category	Fund based facilities[1]	Non-fund based facilities
Domestic	6,923,288.2	2,332,095.0
Overseas	1,427,666.7	356,703.0
Total[2]	**8,350,954.9**	**2,688,798.0**

1. Includes investment in government securities held under held-to-maturity category.
2. Includes all entities considered for Basel III capital adequacy computation.

b. Industry-wise distribution of exposures at September 30, 2017

₹ in million

Industry	Fund-based facilities	Non-fund based facilities
Retail finance[1]	3,368,756.0	41,480.7
Electronics and engineering	126,972.4	592,540.1
Services-finance	568,225.3	101,027.7
Banks[2]	430,740.9	235,836.1
Crude petroleum/refining and petrochemicals	122,230.9	409,823.5
Power	354,722.5	110,919.2
Road, port, telecom, urban development and other infra	273,947.2	184,858.0
Services-non finance	267,098.2	162,734.8
Wholesale/retail trade	223,971.9	111,734.8
Construction	102,478.0	186,763.4
Iron/steel and products	198,087.3	80,641.1
Metal and products (excluding iron and steel)	87,424.7	105,133.8
Chemical and fertilisers	105,826.8	71,116.5
Mutual funds	166,750.0	2,250.7
Mining	109,830.1	49,366.4
Food and beverages	121,144.8	31,000.6
Automobiles	76,153.3	61,195.9
Cement	70,533.5	17,654.6
Manufacturing products (excluding metal)	53,082.9	21,825.8
Drugs and pharmaceuticals	43,636.6	24,029.8
Gems and jewellery	54,262.9	8,962.4
Textile	34,186.6	17,492.0
Shipping	18,290.8	15,040.4

Industry	Fund-based facilities	Non-fund based facilities
FMCG	9,286.2	9,674.4
Venture capital funds	3,263.5	-
Other industries[3]	1,360,051.6	35,695.3
Grand Total[4]	**8,350,954.9**	**2,688,798.0**

1. Includes home loans, commercial business loans, automobile loans, business banking, credit cards, personal loans, rural loans, loans against FCNR(B) deposits, loans against securities and dealer financing portfolio.
2. Includes balances with banks.
3. Other industries include investment in government securities held under held-to-maturity category and developer financing portfolio.
4. Includes all entities considered for Basel III capital adequacy computation.

The following table sets forth, the exposures to industries (other than retail finance) in excess of 5.00% of total exposure at September 30, 2017

₹ in million

Industry	Fund based facilities	Non-fund based facilities
Electronics and Engineering	126,972.4	592,540.1
Services-finance	568,225.3	101,027.7
Banks	430,740.9	235,836.1
Total	**1,125,938.6**	**929,403.9**

c. Maturity pattern of assets[1]

The following table sets forth, the maturity pattern of assets at September 30, 2017.

₹ in million

Maturity buckets	Cash & balances with RBI	Balances with banks & money at call and short notice	Investments	Loans & advances	Fixed assets	Other assets	Total
Day 1	70,249.8	21,179.6	306,833.8	6,819.0	-	13,146.1	418,228.3
2 to 7 days	7,550.9	195,356.7	220,033.7	71,853.0	-	105,903.1	600,697.4
8 to 14 days	10,065.5	10,947.0	82,980.5	53,679.8	-	15,946.4	173,619.2
15 to 30 days	7,736.2	26,676.0	135,669.6	105,426.8	-	35,068.2	310,576.8
31 days upto 2 months	4,941.1	6,000.8	53,767.0	158,889.7	-	8,264.4	231,863.0
More than 2 months and upto 3 months	7,509.1	692.8	64,787.7	190,613.6	-	11,898.3	275,501.5
More than 3 months and upto 6 months	12,366.0	9,663.8	90,029.4	398,525.3	-	19,906.9	530,491.4
More than 6	20,225.7	6,438.6	126,461.2	564,689.9	-	34,713.8	752,529.2

Maturity buckets	Cash & balances with RBI	Balances with banks & money at call and short notice	Investments	Loans & advances	Fixed assets	Other assets	Total
months and upto 1 year							
More than 1 year and upto 3 years	25,804.8	5,742.1	226,631.8	1,394,557.9	-	50,814.0	1,703,550.6
More than 3 year and upto 5 years	55,169.5	0.2	272,436.6	1,054,036.8	-	78,737.1	1,460,380.2
Above 5 years	56,367.8	770.5	407,824.5	1,381,800.7	81,403.0	293,777.9	2,221,944.4
Total	**277,986.4**	**283,468.1**	**1,987,455.8**	**5,380,892.5**	**81,403.0**	**668,176.2**	**8,679,382.0**

1. Consolidated figures for the Bank and its banking subsidiaries, ICICI Home Finance Company Limited, ICICI Securities Primary Dealership Limited and ICICI Securities Limited and its subsidiaries. The maturity pattern of assets for the Bank is based on methodology used for reporting positions to the RBI on asset-liability management. The maturity pattern of assets for the subsidiaries is based on similar principles.

d. Amount of non-performing loans (NPLs) at September 30, 2017

₹ in million

NPL classification	Gross NPLs	Net NPLs
Sub-standard	112,309.6	87,403.3
Doubtful	350,547.3	168,944.4
- Doubtful 1[1]	*142,076.4*	*87,061.9*
- Doubtful 2[1]	*176,845.6*	*77,631.6*
- Doubtful 3[1]	*31,625.3*	*4,250.9*
Loss	14,644.3	-
Total[2,3]	**477,501.2**	**256,347.7**
NPL ratio[4]	**8.52%**	**4.77%**

1. Loans (other than direct agri) classified as NPLs for 456-820 days are classified as Doubtful 1,821-1,550 days as Doubtful 2 and above 1,550 days as Doubtful 3.
2. Identification of loans as non-performing/impaired is in line with the guidelines issued by regulators of respective subsidiaries.
3. Includes advances portfolio of the Bank and its banking subsidiaries and ICICI Home Finance Company Limited.
4. Gross NPL ratio is computed as a ratio of gross NPLs to gross advances. Net NPL ratio is computed as a ratio of net NPLs to net advances.

e. Movement of NPLs during the six months ended September 30, 2017

₹ in million

	Gross NPL	Net NPL
Opening balance at April 1, 2017	454,939.7	267,988.9
Additions during the period/year	97,058.5	52,238.1
Reduction/write-off during the period/year	(74,497.0)	(63,879.3)
Closing balance at September 30, 2017[1]	**477,501.2**	**256,347.7**

1. Includes advances portfolio of the Bank and its banking subsidiaries and ICICI Home Finance Company Limited.

f. Movement of provisions during the six months ended September 30, 2017

₹ in million

	Specific provision[2]	General provision
Opening balance at April 1, 2017	189,962.5	23,126.2
Provisions made during the period/year	81,170.1	2,475.1
Write-off during the period/year	(37,236.1)	-
Write-back of excess provisions/ reversals during the period/year	(12,008.3)	-
Adjustments (including transfers between provisions)	499.4	29.1
Closing balance at September 30, 2017[1]	**222,387.6**	**25,630.4**

1. Includes advances portfolio of the Bank and its banking subsidiaries and ICICI Home Finance Company Limited.
2. Specific provision relating to NPAs and restructured loans.

g. Details of write-offs and recoveries booked in income statement

₹ in million

Write-off that have been booked directly to the income statement	91.1
Recoveries that have been booked directly to the income statement	538.3

h. Amount of non-performing investments (NPIs) in securities, other than government and other approved securities at September 30, 2017

₹ in million

	Amount[1]
Gross NPIs	18,746.5
Total provisions held on NPIs	(16,207.1)
Net NPIs[2]	**2,539.4**

1. Excludes amount outstanding under application money.
2. Includes NPIs of the Bank and its banking subsidiaries.

i. Movement of provisions for depreciation on investments[1] during the six months ended September 30, 2017

₹ in million

	Amount[2,3]
Opening balance at April 1, 2017	**38,298.5**
Provision/depreciation (net) made during the period/year	6,088.3
Write-off/write-back of excess provision during the period/year	(14,474.1)
Closing balance at September 30, 2017	**29,912.7**

1. After considering movement in appreciation on investments.
2. Includes all entities considered for Basel III capital adequacy computation.
3. Excludes amount outstanding under application money.

j. Top five industries based on total credit risk exposure (other than banks) at September 30, 2017

₹ in million

	Gross NPAs	Specific provision[1]	General provision	Specific provision during the period/year	Write-off during the period/year
Top 5 Industries	161,411.5	70,660.7	14,596.0	30,111.8	1,479.8

1. Specific provision relating to NPAs and restructured loans.

k. Geography-wise breakup of gross NPAs, specific provision and general provision at September 30, 2017

₹ in million

Category	Gross NPAs	Specific provision[1]	General provision
Domestic	319,484.3	153,713.5	21,204.3
Overseas	158,016.9	68,674.1	4,426.1
Total	**477,501.2**	**222,387.6**	**25,630.4**

1. Specific provision relating to NPAs and restructured loans.

CREDIT RISK: PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Table DF-4: Credit risk: Disclosures for portfolios subject to the standardised approach

a. External ratings

The Bank uses the standardised approach to measure the capital requirements for credit risk. As per the standardised approach, regulatory capital requirements for credit risk on corporate exposures is measured based on external credit ratings assigned by external credit assessment institutions (ECAIs) specified by RBI in its guidelines on Basel III. As stipulated by RBI, the risk weights for resident corporate exposures are assessed based on the external ratings assigned by domestic ECAI and the risk weights for non-resident corporate exposures are assessed based on the external ratings assigned by international ECAI. For this purpose, at September 30, 2017, the domestic ECAI specified by RBI were CRISIL Limited, Credit Analysis & Research Limited, ICRA Limited, India Ratings and Research, SME Rating Agency of India Limited and Brickwork Ratings India Private Limited, and the international ECAI specified by RBI were Standard & Poor's, Moody's and Fitch. Further, the RBI's Basel III framework stipulates guidelines on the scope and eligibility of application of external ratings. The Bank reckons the external rating on the exposure for risk weighting purposes, if the external rating assessment complies with the guidelines stipulated by RBI.

The key aspects of the Bank's external ratings application framework are as follows:

- The Bank uses only those ratings that have been solicited by the counterparty.
- Foreign sovereign and foreign bank exposures are risk-weighted based on issuer ratings assigned to them.

- The risk-weighting of corporate exposures based on the external credit ratings includes the following:

  i. The Bank reckons external ratings of corporates either at the credit facility level or at the borrower (issuer) level. The Bank considers the facility rating where both the facility and the borrower rating are available, given the more specific nature of the facility credit assessment.

  ii. The Bank ensures that the external rating of the facility/borrower has been reviewed at least once by the ECAI during the previous 15 months and is in force on the date of its application.

  iii. When a borrower is assigned a rating that maps to a risk weight of 150%, then this rating is applied on all the unrated facilities of the borrower and risk weighted at 150%.

  iv. Unrated short-term claim on counterparty is assigned a risk weight of at least one level higher than the risk weight applicable to the rated short-term claim on that counterparty.

- The RBI guidelines outline specific conditions for facilities that have multiple ratings. In this context, the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used for a given facility.

b. Credit exposures by risk weights

The following table sets forth, the credit exposures subject to the standardised approach after adjusting for credit risk mitigation by risk weights at September 30, 2017.

₹ in million

Exposure category	Amount[1,2]
Less than 100% risk weight	5,385,220.4
100% risk weight	4,613,456.6
More than 100% risk weight	1,115,703.8
Total	**11,114,380.8**

1. Credit risk exposures include all exposures, as per RBI guidelines on exposure norms, subject to credit risk and investments in held-to-maturity category.
2. Includes all entities considered for Basel III capital adequacy computation.

CREDIT RISK MITIGATION

DF-5: Credit risk mitigation: Disclosures for standardised approaches

a. Collateral management and credit risk mitigation

The Bank has a Board approved policy framework for collateral management and credit risk mitigation techniques, which includes, among other aspects, guidelines on acceptable types of collateral, ongoing monitoring of collateral including the frequency and basis of valuation and application of credit risk mitigation techniques.

Collateral management

Overview

The Bank defines 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 secured creditor in respect of the assets/contracts offered as security for the obligations of the borrower/obligor. The Bank ensures that the underlying documentation for the collateral provides the Bank an 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. The Bank also endeavours to keep the assets provided as security to the Bank under adequate insurance during the tenor of the Bank's exposure. The collateral value is monitored periodically.

Collateral valuation

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines.
The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

Types of collateral taken by the Bank

The Bank determines the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empanelled 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 jewellery. 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 the Board of Directors.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorisation approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

Credit risk mitigation techniques

The RBI guidelines on Basel III allow the following credit risk mitigants to be recognised for regulatory capital purposes:

- **Eligible financial collateral,** which include cash (deposited with the Bank), gold (including bullion and jewellery, subject to collateralised jewellery being benchmarked to 99.99% purity), securities issued by Central and State Governments, Kisan Vikas Patra, National Savings Certificates, life insurance policies with a declared surrender value issued by an insurance company, which is regulated by the insurance sector regulator, certain debt securities, mutual fund units where daily net asset value is available in public domain and the mutual fund is limited to investing in the instruments listed above.
- **On-balance sheet netting**, which is confined to loans/advances and deposits, where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.

- **Guarantees**, where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise:
  - Sovereigns, sovereign entities stipulated in the RBI guidelines on Basel III, banks and primary dealers with a lower risk weight than the counterparty; and
  - Other entities, which are rated better than the entities for which the guarantee is provided.

The Bank reckons the permitted credit risk mitigants for obtaining capital relief only when the credit risk mitigant fulfills the conditions stipulated for eligibility and legal certainty by RBI in its guidelines on Basel III.

Concentrations within credit risk mitigation

Currently, the Bank does not have any concentration risk within credit risk mitigation. The RBI guidelines, among its conditions for eligible credit risk mitigants, require that there should not be a material positive correlation between the credit quality of the counterparty and the value of the collateral being considered. RMG conducts the assessment of the aspect of material positive correlation on cases referred to it and accordingly evaluates the eligibility of the credit risk mitigant for obtaining capital relief.

b. The following table sets forth, the portfolio covered by eligible financial collateral at September 30, 2017

₹ in million

	Amount[1]
Exposures fully covered by eligible financial collateral, after application of haircut	344,994.0
Exposure that is covered by guarantees/credit derivatives	42,907.5

1. Includes all entities considered for Basel III capital adequacy computation.

The processes for capital computation and credit risk mitigation based on Basel III guidelines are consistent across subsidiaries of the Bank.

SECURITISATION

Table DF-6: Securitisation exposures: Disclosure for standardised approach

a. Securitisation objectives, roles played by the Bank and the risks

Objectives

The Bank's primary objective of securitisation activities is to increase the efficiency of capital and enhance the return on capital employed by diversifying sources of funding. The Bank also invests in third party originated securitisation transactions, primarily for priority sector requirements, in accordance with the Investment Policy of Bank.

Roles played by the Bank

In securitisation transactions backed by assets, either originated by the Bank or third parties, the Bank plays the following major roles:

- **Underwriter:** allowing un-subscribed portions of securitised debt issuances, if any to devolve on the Bank, with the intent of selling at a later stage.
- **Investor/trader/market-maker:** acquiring investment grade securitised debt instruments backed by financial assets originated by third parties for purposes of investment/ trading/ market-making with the aim of developing an active secondary market in securitised debt.
- **Structurer:** structuring appropriately in a form and manner suitably tailored to meet investor requirements, while being compliant with extant regulations.
- **Provider of liquidity facilities:** addressing temporary mismatches on account of the timing differences between the receipt of cash flows from the underlying performing assets and the fulfillment of obligations to the beneficiaries.
- **Provider of credit enhancement facilities:** addressing delinquencies associated with the underlying assets, i.e. bridging the gaps arising out of credit considerations between cash flows received/collected from the underlying assets and the fulfillment of repayment obligations to the beneficiaries.
- **Provider of collection and processing services:** collecting and/or managing receivables from underlying obligors, contribution from the investors to securitisation transactions, making payments to counterparties/appropriate beneficiaries, reporting the collection efficiency and other performance parameters and providing other services relating to collections and payments as may be required for the purpose of the transactions.

Risks in securitisation

The major risks inherent in the securitised transactions are:

- **Credit risk:** Risk arising on account of payment delinquencies from underlying obligors/borrowers in the assigned pool.

- **Market risk:**
  i) Liquidity risk: Risk arising on account of lack of secondary market to provide ready exit options to the investors/participants.
  ii) Interest rate: Mark-to-market risks arising on account of interest rate fluctuations.

- **Operational risk:**
  i) Co-mingling risk: Risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and/or collection and processing servicer, when there exists a time lag between collecting amounts due from the obligors and payment made to the investors.
  ii) Performance risk: Risk arising on account of the inability of a collection and processing agent to collect monies from the underlying obligors as well as operational difficulties in processing the payments.
  iii) Regulatory and legal risk: Risk arising on account of
    - non-compliance of the transaction structures with the extant applicable laws which may result in the transaction(s) being rendered invalid;
    - conflict between the provisions of the transaction documents with those of the underlying financial facility agreements; and
    - non-enforceability of security/claims due to imperfection in execution of the underlying facility agreements with the borrower(s).

- **Reputation risk:** Risk arising on account of
  - rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool; and
  - inappropriate practices followed by the collection and processing agent.

In addition to the above, securitised assets are exposed to prepayment and pipeline and warehousing risks. Prepayment risk arises on account of prepayment of dues by obligors/borrowers in the assigned pool either in part or full. Pipeline and warehousing risks refer to the event where originating banks are unable to off-load assets, which were originated with an intention of selling thus potentially exposing them to losses arising on declining values of these assets. The Bank does not follow the “originate to distribute” model in the domestic market and hence is not exposed to the pipeline and warehousing risks in the domestic market. In the overseas markets, where the Bank executes certain transactions on a “originate to distribute/syndicate” model, the Bank has established an appropriate risk management and mitigation framework to assess and manage any risks associated with such transactions. Further, the Bank is not involved in sponsorship of off-balance sheet vehicles.

Processes in place to monitor change in risks of securitisation exposures

The Bank has established appropriate risk management processes to monitor the risks on securitisation exposures, which include:

i) Monitoring credit risk

The Bank, in the capacity of collection and processing agent, prepares monthly performance reports which are circulated to investors/assignees/rating agencies and continuously monitors the securitised pool. The risk assessment of the pools is done continuously by the rating agencies based on ammortisation level, collection efficiency, credit enhancement utilisation levels and credit cover available for balance deal tenor. The pools wherein the Bank is an investor, the underlying portfolio is monitored on an ongoing basis for delinquency rates, prepayment rates, available collateral and so on. The Bank also performs periodic stress tests for the securitisation exposures.

ii) Monitoring market risk

The Bank ascertains market value of the securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly.

Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures

The Bank has not used credit risk mitigants to mitigate retained risks.

b. Summary of the Bank's accounting policies for securitisation activities

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.

Methods and key assumptions (including inputs) applied in valuing positions retained or purchased

The valuation of pass-through certificates (PTCs) 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 Fixed Income Money Market and Derivatives Association FIMMDA**.**

The retained/purchased interests in the form of subordinate contributions are carried at book value.

There is no change in the methods and key assumptions applied in valuing retained/purchased interests from previous period.

Policies for recognising liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitised assets

The Bank provides credit enhancements in the form of cash deposits or guarantees in its securitisation transactions. The Bank makes appropriate provisions for any delinquency losses assessed at the time of sale as well as over the life of the securitisation transactions in accordance with the RBI guidelines.

c. Rating of securitisation exposures

Ratings obtained from ECAIs stipulated by RBI (as stated above) are used for computing capital requirements for securisation exposures. Where the external ratings of the Bank's investment in securitised debt instruments/PTCs are at least partly based on unfunded support provided by the Bank, such investments are treated as unrated.

d. Details of securitisation exposures in the banking book

i. Total outstanding exposures securitised by the Bank and the related unrecognised gains/(losses) at September 30, 2017

₹ in million

Exposure type	Outstanding[1]	Unrecognised gains/(losses)
Vehicle/equipment loans	-	-
Home and home equity loans	2,096.3	-
Personal loans	-	-
Corporate loans	262.5	-
Mixed asset pool	-	-
Total	**2,358.8**	**-**

1. The amounts represent the total outstanding principal at September 30, 2017 for securitisation deals and include direct assignments in the nature of sell-downs. Credit enhancements and liquidity facilities are not included in the above amounts. During the period/year ended September 30, 2017, the Bank had not securitised any assets as an originator.

ii. Break-up of securitisation gains/(losses) (net) at September 30, 2017

₹ in million

Exposure type	September 30, 2017[1]
Vehicle/equipment loans	7.6
Home and home equity loans	20.1
Personal loans	5.4
Corporate loans	-
Mixed asset pool	-
Total	**33.1**

1. The amounts include gain amortised during the year and expenses relating to utilisation of credit enhancements.

iii. Assets to be securitised within a year at September 30, 2017

₹ in million

	Amount
Amount of assets intended to be securitised within a year	57,791.3
Of which amount of assets originated within a year before securitisation.	57,791.3

iv. Securitisation exposures retained or purchased (September 30, 2017)

₹ in million

Exposure type[1]	On-balance sheet	Off-balance sheet	Total
Vehicle/equipment loans	120.0	-	120.0
Home and home equity loans	5,073.1	381.7	5,454.8
Personal loans	-	-	-
Corporate loans	1,796.9	1,058.1	2,855.0
Mixed asset pool	-	-	-
Total	**6,990.0**	**1,439.8**	**8,429.8**

1. Securitisation exposures include but are not restricted to liquidity facilities, other commitments and credit enhancements such as interest only strips, cash collateral accounts and other subordinated assets as well as direct assignments in the nature of sell-downs. The amounts are net of provisions. Credit enhancements have been stated at gross levels and not been adjusted for their utilisation.

v. Risk weight bands break-up of securitisation exposures retained or purchased at September 30, 2017

₹ in million

Exposure type[1]	<100% risk weight	100% risk weight	>100% risk weight	Total
Vehicle/equipment loans	-	-	120.0	120.0
Home and home equity loans	2,706.1	-	2,748.8	5,454.8
Personal loans	-	-	-	-
Corporate loans	1,430.9	1,424.0	-	2,855.0
Mixed asset pool	-	-	-	-
Total	**4,137.0**	**1,424.0**	**2,868.8**	**8,429.8**
Total capital charge	**141.3**	**147.4**	**3,711.5**	**4,000.2**

1. Includes direct assignments in the nature of sell-downs.

vi. Securitisation exposures deducted from capital at September 30, 2017

₹ in million

Exposure type	Exposures deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Vehicle/equipment loans	-	-	-
Home and home equity loans	-	-	-
Personal loans	-	-	-
Corporate loans	-	-	-
Mixed asset pool	-	-	-
Total	**-**	**-**	**-**

e. Details of securitisation exposures in the trading book

i. Aggregate amount of exposures securitised for which the Bank has retained some exposures subject to market risk at September 30, 2017

₹ in million

Exposure type	Total[1]
Vehicle/equipment loans	-
Home and home equity loans	515.1
Personal loans	-
Corporate loans	-
Mixed asset pool	-
Small enterprise loans	-
Micro credit	-
Total	**515.1**

1. The amounts represent the outstanding principal at September 30, 2017 for securitisation deals.

ii. Securitisation exposures retained or purchased at September 30, 2017

₹ in million

Exposure type[1]	On-balance sheet	Off-balance sheet	Total
Vehicle/equipment loans	96,343.6	-	96,343.6
Home and home equity loans	30,521.5	-	30,521.5
Personal loans	-	-	-
Corporate loans	248.1	-	248.1
Mixed Asset	-	-	-
Small enterprise loans	1,051.1	-	1,051.1
Micro credit	637.0	-	637.0
Total	**128,801.3**	**-**	**128,801.3**

1. Securitisation exposures include PTCs originated by the Bank as well as PTCs purchased in case of third party originated securitisation transactions.

iii. Risk weight bands break-up of securitisation exposures retained or purchased and the related capital charge at September 30, 2017

₹ in million

	Exposure	Capital charge[1]
<100% risk weight	128,817.7	3,083.6
100% risk weight	120.8	12.4
>100% risk weight	468.8	536.5
Total	**129,407.3**	**3,632.5**

1. Represents capital required to be maintained at 10.35%.

iv. Securitisation exposures deducted from capital at September 30, 2017

₹ in million

Exposure type	Exposures deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Vehicle/equipment loans	-	-	-
Home and home equity loans	-	-	-
Personal loans	-	-	-
Corporate loans	-	-	-
Mixed asset pool	-	-	-
Small enterprise loans	-	-	-
Micro credit	-	-	-
Total	**-**	**-**	**-**

MARKET RISK IN TRADING BOOK

Table DF-7: Market risk in trading book

a. Market risk management policy

Risk management policies

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. The Bank currently follows the standardised approach for computation of market risk capital on interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and other precious metals) in both trading and banking books. The market risk for the Bank is managed in accordance with the Investment Policy and Derivatives Policy, which is approved by the Board. The policies ensure that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, financial environment and revised policy guidelines.

Risk management objectives

The Bank manages its market risk with the broad objectives of:
1. Compliance with regulatory requirements
2. Effective internal control on the operation/execution of the investment, forex and derivatives transactions and correct recording thereof
3. Management of market risk such as interest rate risk, currency risk, equity risk and credit spread risk arising from the investments and derivatives portfolio
4. Proper classification, valuation and accounting of investments, forex and derivatives portfolio
5. Adequate and proper reporting of investments, forex and derivatives products
6. Taking position by various treasury groups to benefit from price movements. These positions will be taken within approved limits.

Structure and organisation of the market risk management function

The Market Risk Management Group (MRMG), which is an independent function reports to the Head - RMG. MRMG exercises independent control over the process of market risk management and recommends changes in risk policies, controls, processes and methodologies for quantifying and assessing market risk. There is clear functional separation of:
- Trading i.e. front office; and
- Reporting, control, settlements and accounting i.e. Treasury Control and Services Group (TCSG)

Strategies and processes

Internal control system

Treasury operations warrant elaborate control procedures. Keeping this in view, the following guidelines are followed for effective control of the treasury operations:

1. Tracking utilisation of limits

TCSG is responsible for an independent check of the transactions entered into by the front office. It also reports utilisation of all the limits laid down in the Investment Policy.

MRMG reports the value-at-risk (VaR), price-value of basis point (PV01) and stop loss limit utilisations to the ALCO as a part of the review of treasury positions. A market risk dashboard covering detailed aspects of market risk is presented to the Risk Committee on a quarterly basis.

2. System controls

The system used for recording, processing, monitoring and accounting of treasury transactions have adequate data integrity controls. The process for enabling/disabling role-based access is also documented.

3. Delegation and exception handling processes

Keeping in view the size of the investment portfolio and the variety of securities that the Bank deals in, authority for investment decisions has been delegated to various dealers depending on business requirements.

The Investment Policy sets out deal-size limits for various products. Various coherence checks have been inserted in the system for ensuring that the appropriate deal size limits are enforced to minimise exceptions.

The Investment Policy lists limits such as notional, stop loss, Greeks, value-at-risk. It also defines the approval mechanism in case of breach of these limits.

Scope and nature of risk reporting and/or measurement systems

Reporting

The Bank periodically reports on the various investments and their related risk measures to the senior management and the committees of the Board. The Bank also periodically submits the reports to the regulator as per the regulatory reporting requirements.

Measurement

The Bank has devised various risk metrics for different products and investments. These risk metrics are measured and reported to the senior management independently by TCSG. Some of the risk metrics adopted by the Bank for monitoring its risks are VaR, PV01 and stop loss amongst others. Limits are placed on various risk metrics, which are monitored on a periodic basis.

Hedging and mitigation

Limits on positions that can be maintained are laid out in the relevant policies. All business groups are required to operate within these limits. Hedge transactions for banking book transactions are periodically assessed for hedge effectiveness.

Frameworks in overseas banking subsidiaries

Frameworks that are broadly similar to the above framework have been established at each of the overseas banking subsidiaries of the Bank to manage market risk. The frameworks are established considering host country regulatory requirements as applicable.

b. Capital requirements for market risk

The following table sets forth, the capital requirements for market risk (general and specific) at September 30, 2017.

₹ in million

	Amount[1]
Capital required	**61,841.8**
- for the interest rate risk[2]	45,989.7
- for foreign exchange (including gold) risk	1,353.6
- for equity position risk	14,498.5

1. Includes all entities considered for Basel III capital adequacy computation.
2. Includes capital required of ₹ 3,632.5 million for securitisation exposure.

OPERATIONAL RISK

Table DF-8: Operational risk

a. Operational risk management framework

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputation risk. Operational risk is inherent in the Bank's business activities in both domestic as well as overseas operations and covers a wide spectrum of issues.

Objectives

The objective of the Bank's operational risk management is to manage and control operational risks in a cost effective manner within targeted levels of operational risk consistent with the Bank's risk appetite as specified in the Operational Risk Management (ORM) policy (the Policy) approved by the Board of Directors. The Policy aims to:

- Define Bank-level operational risk appetite;
- Establish clear ownership and accountability for management and mitigation of operational risk;
- Develop a common understanding of operational risk across the Bank, to assess operational risk of business and operation groups;
- Help business and operations to improve internal controls, throughout the Bank thereby reducing the probability and potential impact of losses from operational risk;
- Minimise losses and customer dissatisfaction due to failure in processes;
- Develop comprehensive operational risk loss database for effective mitigation;
- Meet regulatory requirements as set out in the guidance note on management of operational risk issued by the RBI;
- Compute capital charge for operational risk as per the guidelines issued by the RBI;
- Disclosing the operational risk management framework in a manner that will allow stakeholders to determine whether the Bank identifies, assesses, monitors and controls/mitigates operational risk effectively; and

- Focusing on flaws in products and their design that can expose the Bank to operational risk related losses.

Operational risk management governance and framework

The Bank has a comprehensive operational risk governance structure, in line with corporate governance requirements from the RBI guidelines, Companies Act and Sarbanes Oxley (SOX) Act (USA). Further, the guideline issued by Securities and Exchange Board of India (SEBI) on outsourcing of activities with respect to bankers to the issues, depository participants, merchant bankers, etc. is also considered in the management of operational risk.

The Board-level committees that undertake supervision and review of operational risk aspects are the Risk Committee, the Fraud Monitoring Committee, the Audit Committee and the Information Technology Strategy Committee.

The executive-level committees that undertake supervision and review of operational risk aspects are the Operational Risk Management Committee (ORMC), the Outsourcing Committee, the Committee of Executive Directors (COED), the Information Security Committee, the Business Continuity Management Steering Committee, the Information Technology Steering Committee and the Product and Process Approval Committee (PAC).

The Board and the Risk Committee review the operational risk level and direction and the material operational risk exposures. The Fraud Monitoring Committee reviews the fraud risk aspects. The Information Technology Strategy Committee reviews IT risk aspects. The Audit Committee supervises the audit and compliance related aspects. Internal Audit Department carries out audit according to the risk-based audit plan and reports the findings to the Audit Committee.

In line with the RBI guidelines, an independent Operational Risk Management Group (ORMG) was set up in the year 2006. The Bank's operational risk management governance and framework is defined in the Policy. While the Policy provides a broad framework, detailed standard operating procedures for operational risk management processes have been established. For the purpose of robust quality of operational risk management across the Bank, the operational risk management processes of the Bank have been certified for ISO 9001:2008 standard.

The Policy also specifies the composition, roles and responsibilities of Operational Risk Management Committee. ORMC is responsible for overseeing all material operational risks, responses to risk issues and the adequacy and effectiveness of controls within a given operational risk control area.

The key elements in the operational risk management framework as defined in the Policy include:

- Identification and assessment of operational risks and controls;
- New product and processes approval framework;
- Measurement through incident and exposure reporting;
- Monitoring through key risk indicators; and
- Mitigation through process and controls enhancement and insurance.

The Bank has implemented Outsourcing Policy approved by the Board of Directors, which specifies the composition, roles and responsibilities of Outsourcing Committee. The Outsourcing Committee is responsible for:

- Evaluation ofthe risks and materiality ofoutsourced activities;
- Approval new outsourced activities;
- Ensuring that periodic review of outsourcing arrangements is conducted by the business/operations group; and
- Putting in place a central database on outsourcing.

Identification and assessment

Operational risks and controls across the Bank are documented and updated regularly. Each business and operations group in the Bank has business operational risk managers within the group. ORMG along with these managers facilitates the business and operation groups for carrying out risk and control self-assessments on a periodic basis as per the plan approved by the ORMC. Risk mitigation plans are monitored to ensure timely mitigation of risks. Internal controls are tested by Internal Audit Group in the Bank. The testing results are incorporated in the operational risk assessment. The Bank has a comprehensive Product and Process Approval framework along with the detailed operating guidelines for effective new product and process risk management. As per the framework, the Bank has constituted a Product and Process Approval Committee. The role of PAC would be to assess the processes pertaining to products or product variants from the business and operational perspective, examine the feasibility of system requirements for supporting the product/process and ascertain that adequate risk mitigation and legal & compliance measures are considered based on the detailed product note.

Measurement, monitoring, mitigation and reporting

Operational risk incidents are reported regularly and transactions resulting in losses are routed through operational risk account. Root cause analysis is carried out for the significant operational risk incidents reported and corrective actions are incorporated back into respective processes. The Bank has implemented incident reporting systems, which facilitate capturing of operational risk incidents by the employees of the Bank.

The operational risk losses and incidents analysis are submitted to the ORMC, the Asset Liability Committee, the Risk Committee, the Audit Committee and to the Board on a periodic basis. Operational risk exposures (risk and control self-assessment results, operational risk incidents analysis, key risk indicators and open risks) are monitored by the ORMC on a regular basis and reported to the business heads in the form of dashboard on a periodic basis.

The Bank has been estimating operational value at risk (OpVaR) for the purpose of internal capital adequacy assessment process (ICAAP). The OpVaR is estimated based on the principles of loss distribution approach (LDA) by using historical internal loss data. The OpVaR is stress tested on a quarterly basis to ensure adequacy of the capital provided for operational risk and is compared with trends of actual losses.

For facilitating effective operational risk management, the Bank has implemented a comprehensive operational risk management system. The application software

comprises five modules namely incident management, risk and control self-assessment, key indicators, scenario analysis and issues and action.

The Bank has received a "parallel run" approval for migration to the standardised approach (TSA) on a standalone basis for calculating operational risk capital charge since June 30, 2013. Further, the Bank has also made an application to RBI for parallel run approval for migration to AMA on May 22, 2015 after receiving approval from the Board.

Operational risk management in overseas branches and banking subsidiaries

Operational Risk Management policy of the Bank along with the additional guidelines enclosed as addendum to the ORM policy and the Branch Operational Risk Manual of each branch would govern the operational risk management of the overseas branches of the Bank. ORMG exercises oversight through the process of periodic review of operational risk management in the international locations.

Operational risk management in other subsidiaries

The Bank has designed Group Operational Risk Management Policy. The Policy document describes the approach towards the management of operational risk within ICICI Group. While the common framework is adopted, suitable modifications in the processes are carried out depending upon the requirements of the regulatory guidelines of the respective companies.

b. Capital requirement for operational risk at September 30, 2017

As per the RBI guidelines on Basel III, the Bank has adopted Basic Indicator approach for computing capital charge for operational risk. The capital required for operational risk at September 30, 2016 was ₹ 69,571.0 million.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Table DF-9: Interest rate risk in the banking book (IRRBB)

a. Risk management framework for IRRBB

Interest rate risk is the risk of potential variability in earnings and capital value resulting from changes in market interest rates. IRRBB refers to the risk of deterioration in the positions held on the banking book of an institution due to movement in interest rates over time. The Bank holds assets, liabilities and off balance sheet items across various markets with different maturity or re-pricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates in such markets.

Organisational set-up

ALCO is responsible for management of the balance sheet of the Bank with a view to manage the market risk exposure assumed by the Bank within the risk parameters laid down by the Board of Directors/Risk Committee. The Structural Rate Risk Management Group (SRMG) at the Bank monitors and manages IRRBB under the supervision of ALCO. SRMG-India and SRMG-IBG shall primarily be responsible for management of interest rate risk on the domestic and the overseas banking books, respectively, by assuming risks within the interest rate risk limits specified in the ALM Policy.

The ALM Policy of the Bank contains the prudential limits on liquidity and interest rate risk, as prescribed by the Board of Directors/Risk Committee/ALCO. Any amendments to the ALM Policy can be proposed by business group(s), in consultation with the market risk and compliance teams and are subject to approval from ALCO/Risk Committee/Board of Directors, as per the authority defined in the Policy. The amendments so approved by ALCO are presented to the Board of Directors/Risk Committee for information/approval.

TCSG is an independent group responsible for preparing various reports to ensure adherence to the prudential limits as per the ALM Policy. The utilisation against these limits is computed on a regular basis at various levels of periodicity. Breaches, if any, are duly reported to ALCO/Risk Committee/Board of Directors, as may be required under the framework defined for approvals. Upon review of the indicators of IRRBB and the impact thereof, ALCO may suggest necessary corrective actions in order to re-align the exposure with the current assessment of the markets.

Risk measurement and reporting framework

The Bank proactively manages impact of IRRBB as a part of its ALM activities. ALM policy defines different types of interest rate risks that are to be monitored, measured and controlled. ALCO decides strategies for managing IRRBB at the desired level. Further, ALCO periodically gives direction for management of interest rate risk on the basis of its expectations of future interest rates. Based on the guidance, SRMG primarily manages the IRRBB with the help of various tools i.e. gap analysis, earnings at risk (EaR), duration of equity (DoE) and stress testing for basis risk which are monitored on a fortnightly basis. These tools are as follows:

- **Gap analysis:** The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals at a given date for domestic and overseas operations. Gap analysis measures mismatches between rate sensitive liabilities (RSL) and rate sensitive assets (RSA) (including off-balance sheet positions). The report is prepared by grouping rate sensitive liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. For non-maturity loans & advances such as floating rate cash credit or other working capital facilities, the amount is bucketed based on expected re-pricing interval of receivable cash flows. Balances maintained in current account with banks are non-sensitive except for balance with Federal Reserve Bank which is bucketed in “1-28 days” bucket. For non-maturity liabilities such as current account deposits, the bucketing is as per the behavioral study. The study reckons outflows at certain percentile confidence level.For non-maturity liabilities such as savings bank

deposits in Rupee currency, bucketing upto 12 months is as per the liquidity gap bucketing and the residual portion is bucketed in "1-3 year" bucket. Savings deposits in other currencies are bucketed as per the RBI guidelines. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. The direction of the gap indicates whether net interest income is positively or negatively impacted by a change in the directionof interest rates and the extent of the gap approximates the change in net interest income for that given interest rate shift. The ALM Policy of the Bank stipulates bucket-wise limits on rupee interest rate sensitive gaps for the domestic operations of the Bank, linked to the domestic balance sheet size of the Bank.

- **EaR:** From an EaR perspective, the gap reports indicate whether the Bank is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative gap (RSL > RSA). The Bank monitors the EaR with respect to net interest income (NII) based on a 100 basis points adverse change in the level of interest rates. The magnitude of the impact over a one year period, as a percentage of the NII of the previous four quarters gives a fair measure of the earnings risk that the Bank is exposed to. The EaR computations include the banking book as well as the trading book.

  For some of the products, Bank provides its depositors and borrowers an option to terminate the deposit/loan pre-maturely. These products may or may not provide for a penalty for pre-mature termination. In case of pre-mature terminations, the Bank faces a risk of re-pricing of the assets/liabilities at the current rates and the resultant impact on the NII (adjusted for the penalty). The Bank carries out behavioural studies for estimation of pre-mature termination of wholesale term deposits, retail term deposits, wholesale term loans and retail loans and applies the same while computing the interest rate sensitivity statement and EaR.

- **DoE:** Change in the interest rates also have a long-term impact on the market value of equity of the Bank, as the economic value of the Bank's assets, liabilities and off-balance sheet positions is impacted. DoE is a measure of interest rate sensitivity of assets, liabilities and also equity. It may be defined as the percentage change in the market value of an asset or liability (or equity) for a given change in interest rates. Thus, DoE is a measure of change in the market value of equity of a firm due to the identified change in the interest rates. The Bank uses DoE as a part of framework to manage IRRBB for its domestic and overseas operations and DoE is computed for the overall Bank and banking book, separately. The ALM Policy stipulates a limit on the overall DoE of the Bank and the banking book separately in order to monitor and manage IRRBB. The utilisation against these limits is computed for appropriate interest rate movements and monitored periodically.

- **Stress test for basis risk:** The assets and liabilities on the balance sheet are priced based on multiple benchmarks and when interest rates fluctuate, all these different yield curves may not necessarily move in tandem exposing the balance sheet to basis risk. Therefore, over and above the EaR, the Bank measures the impact of differential movement in interest rates across benchmark curves. For the domestic operations, various scenarios of interest rate movements (across various benchmark yield curves) are identified and the worst-case impact is measured as a

percentage of the aggregate of Tier-1 and Tier-2 capital. These scenarios take into account the magnitude as well as the timing of various interest rate movements (across various benchmark curves such as wholesale and retail deposit rates, benchmark lending rates, GOI Sec, CDs and corporate bonds benchmark). Currently, the scenarios provide for differential movements in each yield curve but the movement in each curve is assumed to be parallel. Further, for the domestic foreign currency operationsand overseas operations of the Bank, assets and liabilities are primarily linked to LIBOR and the basis risk is computed for a parallel shift in LIBOR as well as the spread over LIBOR. The basis risk for the overall Bank is a summation of the basis risk arising from domestic rupee and overseas (including domestic foreign currency) operations.

MRMG reports the utilisation of DoE, EaR, basis risk measures to the ALCO as a part of the ALM risk profile presentation and to the Risk Committee as part the Risk dashboard.

Marked-to-market (MTM) on the trading book

In addition to the above, the price risk of the trading book is monitored through measures such as notional, stop loss, Greeks and VaR. The management of price risk of the trading book is detailed in the Investment Policy.

Hedging policy

Depending on the underlying asset or liability and prevailing market conditions, the Bank enters into hedge transactions for identified assets or liabilities. The Bank has a policy for undertaking hedge transactions. These hedges are periodically assessed for hedge effectiveness as per the applicable financial guidelines.

Frameworks in overseas banking subsidiaries

Frameworks that are broadly similar to the above framework have been established at each of the overseas banking subsidiaries of the Bank to manage interest rate risk in the banking book. The frameworks are established considering host country regulatory requirements as applicable.

b. Level of interest rate risk

The following table sets forth, one possible prediction of the impact on the net interest income of changes in interest rates on interest sensitive positions at September 30, 2017, assuming a parallel shift in the yield curve.

₹ in million

	Change in interest rates[1]	
Currency	**-100 basis points**	**+100 basis points**
INR	(5,574.3)	5,574.3
USD	166.0	(166.0)
Others	(484.2)	484.2
Total	**(5,892.4)**	**5,892.4**

1. Consolidated figures for the Bank and its banking subsidiaries, ICICI Home Finance Company Limited, ICICI Securities Primary Dealership Limited and ICICI Securities Limited and its subsidiaries.

The following table sets forth, one possible prediction of the impact on economic value of equity of changes in interest rates on interest sensitive positions at September 30, 2017, assuming a parallel shift in the yield curve.

₹ in million

	Change in interest rates[1, 2]	
Currency	**-100 basis points**	**+100 basis points**
INR	129.2	(129.2)
USD	2,716.7	(2,716.7)
Others	(573.2)	573.2
Total	**2,272.8**	**(2,272.8)**

1. For INR currency, primarily coupon and yield of Government of India securities along with relevant spreads and for other currencies, primarily coupon and yield of currency-wise Libor/swap rates along with relevant spreads have been assumed across all time buckets that are closest to the mid-point of the time buckets.
2. Consolidated figures for the Bank and its banking subsidiaries, ICICI Home Finance Company Limited, ICICI Securities Primary Dealership Limited and ICICI Securities Limited and its subsidiaries.

LIQUIDITY RISK

Liquidity risk is the risk of inability to meet financial commitments as they fall due, through available cash flows or through sale of assets at fair market value. It is the current and prospective risk to the Bank's earnings and equity arising out of inability to meet the obligations as and when they become due. It includes both, the risk of unexpected increase in the cost of funding an asset portfolio at appropriate maturities as well as 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.

Organisational set-up

The Asset Liability Management Group (ALMG) at the Bank monitors and manages the liquidity risk under the supervision of ALCO. Further, the Asset Liability Management (ALM) groups in overseas branches manage the risk at the respective branches, in coordination with the Bank's ALMG at Head Office. ALMG also focuses on the implementation of medium-term and long-term balance sheet management strategies as decided by Board of Directors and ALCO.

The Bank manages liquidity risk in accordance with its ALM Policy. This policy is framed as per the extant regulatory guidelines and is approved by the Board of Directors. The ALM Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to re-align with changes in the economic landscape. The ALCO of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the ALM Policy. The Risk Committee of the Board has an oversight on the ALCO.

Risk measurement and reporting framework

The Bank proactively manages liquidity risk as a part of its ALM activities. The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity (SSL), dynamic liquidity cash flow statements, liquidity ratios and stress testing through scenario analysis.

The SSL is used as a standard tool for measuring and managing net funding requirements and assessment of surplus or shortfall of funds in various maturity buckets in the future. The 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. For non-maturity assets/liabilities, e.g. working capital facilities on the assets side and current account and savings account deposits on the liabilities side, grouping into time buckets is done based on the assumptions/behavioral studies. The SSL for domestic operations as well as overseas operations of the Bank is prepared on a periodic basis. The utilisation against gap limits laid down for each bucket is reviewed by ALCO of the Bank/overseas branch.

The Bank also prepares dynamic liquidity cash flow statements, which in addition to scheduled cash flows, also considers the liquidity requirements pertaining to incremental business and the funding thereof. The dynamic liquidity gap statements are prepared in close coordination with the business groups, and cash flow projections based on the same are presented to ALCO, periodically. As part of the stock and flow approach, the Bank also monitors various liquidity ratios, and limits are laid down for these ratios under the ALM Policy.

Further, the Bank has a Board approved liquidity stress testing framework, as per which the Bank gauges its liquidity position under a range of stress scenarios. These scenarios cover the Bank-specific, market-wide and combined stress situations for domestic and overseas operations of the Bank. The potential impact on the Bank's financial position for meeting the stress outflows under these scenarios is measured and is subject to a stress tolerance limit specified by the Board. Further, the liquidity stress testing is also carried out for a protracted period of three months for domestic and overseas operations of the Bank. The results of liquidity stress testing are reported to ALCO on a monthly basis.

The Bank has also framed a Liquidity Contingency Plan (LCP), which serves as a framework for early identification and calibrated action in the event of tight liquidity conditions. The LCP includes various indicators which are monitored regularly, and lays down the mechanism for escalation, remedial action and crisis management until return to normalcy.

Liquidity management

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 working with a concerted strategy to sustain and grow this segment of deposits along with retail term deposits. These deposits are augmented by wholesale deposits, borrowings and through issuance of bonds including subordinated debt from time to

time. Loan maturities and sale of investments also provide liquidity. The Bank holds unencumbered, high quality liquid assets 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 ALM Policy has stipulated limits for borrowing and lending in the inter-bank market.

For the overseas operations too, the Bank has a well-defined borrowing program. The US dollar is the base currency for the overseas branches of the Bank, apart from the branches where the currency is not freely convertible. In order to maximise the borrowings at reasonable cost, 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, inter-bank bilateral loans and deposits, including structured deposits. The Bank also raises refinance from banks against the buyer's credit and other forms of trade assets. The loans that meet the criteria of the Export Credit Agencies are refinanced as per the agreements entered with these agencies. Apart from the above, the Bank is also focused on increasing the share of retail deposit liabilities at overseas branches, in accordance with the regulatory framework at the host countries.

Frameworks that are broadly similar to the above framework have been established at each of the overseas banking subsidiaries of the Bank to manage liquidity risk. The frameworks are established considering host country regulatory requirements as applicable. Besides, as per local regulatory requirements, ICICI Bank UK PLC has implemented its Internal Liquidity Adequacy Assessment Process (ILAAP) framework, which stipulates the level of liquidity required to meet the UK regulatory requirements and the liquidity commensurate with the risks identified in its portfolio and strategic plans.

In summary, the Bank has in place robust governance structure, policy framework and review mechanism to ensure availability of adequate liquidity even under stressed market conditions. The Bank is subject to liquidity coverage ratio (LCR) requirement in a phased manner as per the RBI guidelines from January 1, 2015. LCR was introduced to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant liquidity stress lasting for a period of 30 days. As per the RBI guidelines, the LCR disclosure should be based on the simple average of daily observations for the quarter starting from March 31, 2017. In view of the same, the Bank has commenced computation of the LCR on a daily basis from January 1, 2017 for the Bank and the Group.

COUNTERPARTY CREDIT RISK

Table DF-10: General disclosure for exposures related to counterparty credit risk

The Bank stipulates limits as per the norms on exposure stipulated by RBI for both, fund and non-fund based products including derivatives. Limits are set as a percentage of

the capital funds and are monitored. The utilisation against specified limits is reported to the Committee of Executive Directors and the Credit Committee on a periodic basis.

Credit exposure for the Bank is measured and monitored using a centralised exposure management system. The analysis of the composition of the portfolio is presented to the Risk Committee on a quarterly basis. TCSG reports the credit excess (MTM including treasury overdues exceeding sanctioned limit, margin and provisions held) for corporate clients on a daily basis. Further, RMG reports the credit exposure of derivatives as part of the risk dashboard to the Risk Committee, periodically. The Bank does not take any netting benefits for counterparty credit risk exposure.

In view of the draft margin rules issued by the Basel Committee on Banking Supervision and Reserve Bank of India for non-centrally cleared derivative transactions, derivative transactions would be subject to margin reset & consequent collateral exchange would be as governed by Credit Support Annex (CSA). The margin rules are applicable for both, the domestic and overseas operations of the Bank. The Bank has entered into CSAs which would require maintenance of collateral. Changes in or withdrawal of the Bank's credit rating will not increase the amount of collateral that the Bank is required to post with counterparties. The Bank engages in collateralised borrowing from the RBI and through Clearing Corporation of India Ltd. (CCIL). When the Bank borrows from the RBI, collateral is usually statutory liquidity ratio eligible investments. The haircut for all such sovereign securities is stipulated by the RBI and is not based on the credit rating of the borrower. Similarly, CCIL's margin requirement is based on maturity and certain other factors but not on the credit ratings of the borrower. In addition, the Bank does not engage in derivative or swap transactions that require the Bank to increase its collateral if the Bank's credit rating is downgraded. As such, any reduction or withdrawal of the Bank's credit ratings will not impact the collateralised borrowing operations. If an international credit rating agency downgrades the Bank's credit rating, the Bank would be required to pay an increased interest rate on certain borrowings.

In respect of overseas operations, generally, the collateral requirements are applicable for the banks having outstanding borrowings or derivative transactions that are subject to margin reset and consequent collateral deposits are governed by Global Master Repurchase Agreement (GMRA)/CSA, respectively. In addition, there are certain CSAs/GMRAs at the overseas banking subsidiaries which require exchange of variation margin based on movement in MTM of underlying derivative/repo transactions. From December 2016, ICICI Bank UK PLC has also commenced central clearing (through LCH) of all its prospective interest rate swaps transactions with financial counterparties.

An assessment of possible wrong way risk is carried out on a case-to-case basis at the time of credit assessment as part of the rating process.

The following table sets forth, the derivative exposure calculated using Current Exposure Method (CEM) and the balance outstanding at September 30, 2017

₹ in million

Particulars	Notional Amount	Current Exposure
Interest rate swaps	7,324,996.2	88,415.6
Currency swaps	443,535.5	63,385.4
Forward rate agreement	3,917.1	19.6
Currency futures	8,232.6	193.2
Caps/floors	57,600.4	419.2
Options	562,754.1	12,944.0
Foreign exchange contract	4,694,616.9	144,339.0
Interest rate futures	239.4	1.2
Credit Default Swap - Buy Protection	-	-
Credit Default Swap - Sell Protection	-	-
Total	**13,095,892.2**	**309,717.2**

DF-16: Equities – Disclosure for banking book positions

Investments are classified at the time of purchase into Held for trade (HFT), Available for Sale (AFS) and Held to Maturity (HTM) categories in line with the RBI master circular-Prudential Norms for classification, valuation and operation of investments portfolio by Banks. In accordance with the RBI guidelines, investments in equity of subsidiaries and joint ventures (a joint venture will be one where the Bank, along with its subsidiaries, holds more than 25 percent of the equity) are required to be classified under HTM category. For capital adequacy purpose, as per the RBI guidelines, equity securities held under HTM category are classified under banking book.

As per the RBI guidelines, investments classified under HTM category need not be marked to market and are carried at acquisition cost. Any diminution, other than temporary, in the value of equity investments is provided for. Any loss on sale of investments in HTM category is recognised in the profit and loss statement. Any profit on sale of investments under HTM category is recognised in the profit and loss statement and is then appropriated to capital reserve, net of taxes and statutory reserve.

Equity shares under the banking book are the Bank's investments in equity shares of its insurance subsidiaries. The book value of the equity investments under banking book is ₹ 45,787.4 million as per the regulatory scope of consolidation. The cumulative realised gain (loss) arising from sale and liquidation in the reporting period is nil. Total latent revaluation gains based on quoted market value at September 30, 2017 is ₹ 387,545.4 million. The book value of equity investments in insurance subsidiaries is deducted from capital as per the transition arrangement provided by RBI in the master circular on Basel III regulations.

LEVERAGE RATIO

DF-17: Summary Comparison of accounting assets and leverage ratio exposure

The Basel III leverage ratio is defined as the capital measure (Tier-1 capital of the risk based capital framework) divided by the exposure measure, with this ratio expressed as a percentage. The following table sets forth, the disclosures required for leverage ratio for the Bank at the consolidated level as per RBI guidelines at September 30, 2017.

₹ in million

Sr. No.	Particulars	Amount
1	Total consolidated assets as per published financial statements	10,235,052.9
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(46,752.6)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	245,171.0
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	5,009.7
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	1,435,068.7
7	Other adjustments	(1,541,343.6)
8	**Leverage ratio exposure**	**10,332,206.1**

DF-18: Leverage ratio common disclosure template

The following table sets forth, the leverage ratio at September 30, 2017.

₹ in million

Sr. No.	Leverage ratio framework	Amount
	On-Balance sheet exposure	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	8,549,590.5
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(43,648.2)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**8,505,942.3**
	Derivative exposure	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	76,987.2

Sr. No.	Leverage ratio framework	Amount
5	Add-on amounts for PFE associated with all derivatives transactions	244,247.6
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**321,234.8**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions.	64,950.7
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	5,009.7
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**69,960.4**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	3,987,100.1
18	(Adjustments for conversion to credit equivalent amounts)	(2,552,031.4)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**1,435,068.7**
	Capital and total exposures	
20	**Tier 1 capital**	**995,176.7**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**10,332,206.2**
	Leverage ratio	
22	**Basel III leverage ratio**	**9.63%**

The following table sets forth the reconciliation of total published balance sheet size and on balance sheet exposure at September 30, 2017.

₹ in million

Sr. No.	Leverage ratio framework	Amount
1	Total consolidated assets as per published financial statements	10,235,052.9
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	(76,063.8)
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(64,950.7)
4	Adjustment for entities outside the scope of regulatory consolidation	(1,544,447.9)
5	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	**8,549,590.5**

3. COMPOSITION OF CAPITAL

Disclosure pertaining to main features of equity and debt capital instruments, terms and conditions of equity and debt capital instruments along with the reconciliation requirements have been disclosed separately on the Bank's website under 'Regulatory Disclosures Section'. The link to this section is http://www.icicibank.com/regulatory-disclosure.page