BASEL – PILLAR 3 DISCLOSURES (CONSOLIDATED) AT DECEMBER 31, 2013

ICICI Bank (the Bank) was subject to the Basel II capital adequacy guidelines stipulated by the Reserve Bank of India (RBI) from March 31, 2008. 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, 2018 as shown in the below table. Upon full implementation, Basel III guidelines target minimum capital to risk-weighted assets ratio (CRAR) would be 11.5%, minimum Common Equity Tier-1 (CET1) CRAR ratio would be 8.0% and minimum Tier-1 CRAR ratio would be 9.5%.

As per RBI	**Apr 1, 2013**	**Mar 31, 2014**	**Mar 31, 2015**	**Mar 31, 2016**	**Mar 31, 2017**	**Mar 31, 2018**
Minimum Common Equity Tier-1 (CET1) ratio	4.50%	5.00%	5.50%	5.50%	5.50%	5.50%
Capital conservation buffer (CCB)	-	-	0.625%	1.25%	1.875%	2.50%
Minimum CET1 (incl CCB)	**4.50%**	**5.00%**	**6.125%**	**6.75%**	**7.375%**	**8.00%**
Additional Tier-1 ratio	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Minimum Tier-1 ratio (incl CCB)	**6.00%**	**6.50%**	**7.625%**	**8.25%**	**8.875%**	**9.50%**
Tier-2 ratio	3.00%	2.50%	2.00%	2.00%	2.00%	2.00%
Minimum total capital ratio (incl CCB)	**9.00%**	**9.00%**	**9.625%**	**10.25%**	**10.875%**	**11.50%**
Phase-in of all deductions from capital funds (%)[1]	20	40	60	80	100	100

1. Deductions on account of investment in subsidiaries and deferred tax asset (DTA)

As per the transition table above, at December 31, 2013, the Bank is required to maintain minimum CET1 capital ratio of 4.5%, minimum Tier-1 capital ratio of 6.0% and minimum total capital ratio of 9.0%.

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.

1. SCOPE OF APPLICATION AND CAPITAL ADEQUACY

Pillar 3 disclosures apply to ICICI Bank Limited and its consolidated entities, wherein ICICI Bank Limited is the controlling entity in the group.

Basis of consolidation for capital adequacy

Consolidation for capital adequacy is based on consolidated financial statements of ICICI Bank and its subsidiaries in line with the guidelines for consolidated accounting and other quantitative methods issued by RBI.

The entities considered for consolidation for capital adequacy include subsidiaries, associates and joint ventures of the Bank, which carry on activities of banking or financial nature as stated in the scope for preparing consolidated prudential reports as prescribed by RBI. Entities engaged in insurance business and businesses not pertaining to financial services are excluded from consolidation for capital adequacy. Investment above 30% in paid-up equity capital of financial entities which are not consolidated for capital adequacy (including insurance entities) and investments in other instruments eligible for regulatory capital status in those entities are deducted as per the corresponding deduction approach as stated by RBI.

Table DF-2: CAPITAL ADEQUACY

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

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel III. The RBI guidelines on Basel III require the Bank to maintain a minimum ratio of total capital to risk weighted assets of 9.0%, with a minimum Tier-1 capital adequacy ratio of 6.0%. The total capital adequacy ratio of the Bank at a standalone level at December 31, 2013 as per the RBI guidelines on Basel III is 16.81% with a Tier-1 capital adequacy ratio of 11.53%. The total capital adequacy ratio of the ICICI Group (consolidated) at December 31, 2013 as per the RBI guidelines on Basel III is 17.45% with a Tier-1 capital adequacy ratio of 11.70%. The capital adequacy ratio of the Bank and ICICI Group (consolidated) does not include retained earnings for 9M-2014.

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.

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 includes a comprehensive assessment 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 Board-approved stress testing framework, the Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The business and capital plans and the stress testing results of the 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 credit rating agencies, 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 ICICI 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. In line with the RBI requirements for consolidated prudential report, the capital adequacy position of the ICICI 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.

Capital adequacy of the 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.

Capital requirements for various risk areas (December 31, 2013)

As required by RBI guidelines on Basel III, the Bank's capital requirements have been computed using the Standardised approach for credit risk, Standardised Duration method for market risk and Basic Indicator approach for operational risk. The minimum capital required to be held at 9.00% for credit, market and operational risks is given below:

₹ in million

	Amount[1]
b. Capital required for credit risk	**435,520.3**
- for portfolio subject to standardised approach	418,014.8
- for securitisation exposure	17,505.5
c. Capital required for market risk	**28,766.3**
- for interest rate risk[2]	20,444.9
- for foreign exchange (including gold) risk	814.4
- for equity position risk	7,507.1
d. Capital required for operational risk	**31,238.5**
Total capital requirement (I+II+III)	**495,525.0**
Total capital funds of the Bank	**960,579.4**
Total risk weighted assets	**5,505,833.6**
Capital adequacy ratio	**17.45%**

1. Includes all entities considered for Basel III capital adequacy computation.
2. Includes capital required of ₹ 3,147.1 million for securitisation exposure.

The capital ratios of the Bank and its banking subsidiaries at December 31, 2013 are as follows:

e. Common Equity Tier 1, Tier 1 and Total capital ratios:

Capital ratios	**ICICI Bank Ltd (consolidated)**[1]	**ICICI Bank Ltd (standalone)**[1]	**ICICI Bank UK PLC**[1,2]	**ICICI Bank Canada**[1,3]	**ICICI Bank Eurasia LLC**[1,4]
CET1 capital ratio	11.70%[5]	11.53%[5]	n.a.	27.66%	n.a.
Tier-1 capital ratio	11.70%[5]	11.53%[5]	17.69%	30.33%	n.a.
Total capital ratio	17.45%[5]	16.81%[5]	24.38%	31.61%	41.58%

1. Computed as per capital adequacy guidelines issued by regulators of respective jurisdictions.
2. ICICI Bank UK Plc is not subject to Basel III norms as Financial Services Authority (FSA) has not adopted Basel III framework
3. As per OSFI Basel III guidelines
4. CET1 and Tier-1 capital ratio is not required to be reported in line with regulatory norms stipulated by the Central Bank of Russia.
5. Computed as per RBI Basel III guidelines and does not include the retained earnings for 9M-2014

2. 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 key risk indicators 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. Credit Committee reviews developments in key industrial sectors and the Bank's exposure to these sectors and various portfolios on a periodic basis. 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, overseas branches and overseas banking subsidiaries.

Material risks are identified, measured, monitored and reported to the Board of Directors and 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 and 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. 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 retail products and policies require the approval of the Committee of Executive Directors (COED).

- Within the retail operations, there is segregation of the sourcing, verification, approval and disbursement of retail credit exposures to achieve independence.

- 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, builder finance and 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.

A risk based asset review framework has been put in place wherein the frequency of asset review would be higher for cases with higher outstanding and/or lower credit rating.

Structure and organisation

RMG is responsible for rating of the credit portfolio, tracking trends in various industries and periodic reporting of portfolio-level changes. RMG is segregated into sub-groups for corporate, 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 is 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 operating notes approved by the COED and the risk assessment criteria defined by RMG.

Credit approval authorisation structure

The Board of Directors has delegated the approving authority to committees such as the Credit Committee (comprising a majority of independent Directors), the Committee of Executive Directors (COED) (comprising whole time Directors), the Committee of Senior Management (comprising Whole Time Directors and Group Executives/Presidents and select Senior General Managers), the Committee of Executives, the Regional Committee, Small and Medium Enterprise and Corporate Agriculture Forums (SMEAG forums) and Retail Credit Forums (RCF forums) (comprising designated executives) and also to individual executives (under joint delegation). SMEAG forums, RCF forums and individual executives (under joint delegation) 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. This involves a cluster-based approach for a particular product or for homogeneous group of individuals/business entities that comply with certain laid down parameterised norms. 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, a post-approval authorisation structure has been laid down. For corporate, small enterprises and rural and agriculture linked banking business, Credit Middle Office Group verifies adherence to the terms of the approval prior to commitment and disbursement of credit facilities.

The Bank has established centralised operations to manage operational risk in the various back office processes of the Bank's retail loan business except for a few operations, which are decentralised to improve turnaround time for customers. The fraud prevention and control group manages fraud-related risks through fraud prevention and through recovery of fraud losses. The fraud control group evaluates various external agencies involved in the retail finance operations, including direct marketing associates, external verification associates and collection agencies.

The Bank has a collections unit structured along various product lines and geographical locations, to manage delinquency levels. The collections unit operates under the guidelines of a standardised recovery process.

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

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 quarterly basis. Limits on countries and bank counterparties have also been stipulated.

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 transactions, if the overdue receivables representing positive mark-to-market value of a derivative contract, remain 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 a 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; and
- 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 a 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.

Restructured assets

As per RBI guidelines, a fully secured standard loan can be restructured by rescheduling principal repayments and/or the interest element, but must be separately disclosed as a restructured loan in the year of restructuring. Similar guidelines apply to restructuring of sub-standard and doubtful loans.

a. Credit risk exposures (December 31, 2013)

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.

₹ in million

Category	Credit exposure
Fund-based facilities[1]	6,087,996.6
Non-fund based facilities	2,866,037.5
Total[2]	**8,954,034.1**

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

b. Geographic distribution of exposures (December 31, 2013)

₹ in million

Category	Fund-based facilities[1]	Non-fund based facilities
Domestic	4,500,791.5	2,396,401.3
Overseas	1,587,205.0	469,636.2
Total[2]	**6,087,996.6**	**2,866,037.4**

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

c. Industry-wise distribution of exposures (December 31, 2013)

₹ in million

Industry	Fund-based facilities	Non-fund based facilities
Retail finance[1]	1,791,110.1	37,467.1
Electronics & engineering	118,231.9	564,547.1
Bank[2]	269,213.8	320,816.3
Services - finance	424,733.1	83,523.9
Crude petroleum/refining & petrochemicals	163,464.2	344,484.3
Road, port, telecom, urban development & other infra	328,395.8	137,779.7

Industry	Fund-based facilities	Non-fund based facilities
Power	278,096.6	176,456.6
Services - non finance	307,111.3	137,927.0
Iron/steel & products	221,616.3	172,477.5
Construction	98,438.0	243,022.8
Metal & products (excl iron & steel)	108,191.1	136,783.8
Wholesale / retail trade	106,249.0	106,626.6
Food & beverages	106,299.3	43,561.0
Chemical & fertilisers	64,109.9	74,247.3
Mining	101,289.0	36,206.7
Automobiles	78,885.3	42,546.7
Cement	90,453.4	30,928.8
Shipping	63,154.2	46,651.6
Mutual funds	88,550.1	1,000.5
Drugs & pharmaceuticals	44,374.2	26,998.5
Manufacturing products excl metal	45,729.3	19,871.5
Gems & jewellery	44,448.4	12,285.7
Textile	31,941.7	22,813.7
FMCG	4,477.4	5,649.9
Venture capital funds	2,109.7	-
Other industries[3]	1,107,323.5	41,362.9
Grand total[4,5]	**6,087,996.6**	**2,866,037.5**

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

Exposures to industries (other than retail assets) in excess of 5% of total exposure

₹ in million

Industry	Fund-based facilities	Non-fund based facilities
Electronics & engineering	118,231.9	564,547.1
Bank	269,213.8	320,816.3
Services - finance	424,733.1	83,523.9
Crude petroleum/refining & petrochemicals	163,464.2	344,484.3
Road, port, telecom, urban development & other infra	328,395.8	137,779.7
Power	278,096.6	176,456.6

d. Maturity pattern of assets (December 31, 2013)[1]

The maturity pattern of assets at December 31, 2013 is detailed in the table below:

₹ 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	55,377.5	54,005.2	354,445.2	15,316.1	38.4	8,050.8	487,233.3
2 to 7 days	5,161.0	84,857.2	56,137.4	20,396.9	(0.3)	27,024.1	193,576.3
8 to 14 days	4,052.9	4,649.0	48,347.3	21,945.2	0.0	13,748.3	92,742.7
15 to 28 days	4,585.1	1,281.7	78,113.1	56,332.6	0.0	28,193.7	168,506.2
29 days to 3 months	12,075.2	12,125.1	93,099.9	239,749.4	7.7	11,248.3	368,305.7
3 to 6 months	8,876.3	2,357.9	65,408.8	271,949.3	(2.8)	14,913.6	363,503.1
6 months to 1 year	18,190.4	4,576.9	200,487.8	416,846.4	(6.4)	2,268.8	642,363.9
1 to 3 years	16,308.1	11,809.4	221,128.2	1,474,628.1	2,386.5	380.7	1,726,640.9
3 to 5 years	28,580.4	4,342.7	253,190.7	751,528.9	53.8	413.3	1,038,109.8
Above 5 years	38,865.8	9,559.7	431,205.8	570,633.6	45,284.6	248,939.1	1,344,488.6
Total	**192,072.8**	**189,564.9**	**1,801,564.2**	**3,839,326.5**	**47,761.5**	**355,180.8**	**6,425,470.6**

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

e. Amount of non-performing loans (NPLs) (December 31, 2013)

₹ in million

NPL classification	Gross NPLs	Net NPLs
Sub-standard	33,436.1	23,510.4
Doubtful	63,036.6	14,643.0
- Doubtful 1[1]	18,581.6	9,430.5
- Doubtful 2[1]	21,584.1	4,536.7
- Doubtful 3[1]	22,870.9	675.8
Loss	20,328.2	535.1
Total[2, 3]	**116,800.9**	**38,688.4**
NPL ratio[4]	**2.96%**	**1.00%**

1. Loans 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.
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.

f. Movement of NPLs

₹ in million

	Gross NPL	Net NPL
Opening balance at April 1, 2013	106,596.7	29,111.0
Additions during the period[1]	37,018.6	23,278.5
Reductions/write-offs during the period[1]	(26,814.4)	(13,701.1)
Closing balance at December 31, 2013[2]	**116,800.9**	**38,688.4**

1. The difference between the opening and closing balances (other than accounts written off during the period) of NPLs in credit cards is included in additions during the period.
2. Includes advances portfolio of the Bank and its banking subsidiaries and ICICI Home Finance Company.

g. Movement of provisions for NPLs

₹ in million

	Amount
Opening balance at April 1, 2013	77,485.6
Provisions made during the period[1]	20,384.3
Write-offs during the period	(14,663.6)
Write-back of excess provisions during the period	(5,093.9)
Closing balance at December 31, 2013[2]	**78,112.4**

1 The difference between the opening and closing balances (other than accounts written off during the period) of provisions on credit cards is included in provisions made during the period.
2. Includes advances portfolio of the Bank and its banking subsidiaries and ICICI Home Finance Company.

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

₹ in million

	Amount
Gross NPIs at December 31, 2013	5,161.2
Total provisions held on NPIs	(4,182.1)
Net NPIs at December 31, 2013[1]	**979.1**

1. Includes NPIs of the Bank and its banking subsidiary.

i. Movement of provisions for depreciation on investments[1]

₹ in million

	Amount
Opening balance at April 1, 2013	27,974.5
Provision/depreciation (net) made during the period	2,970.1
Write-off/write back of excess provision during the period	(6,228.8)
Closing balance at December 31, 2013[2]	**24,715.8**

1. After considering movement in appreciation on investments.
2. Includes all entities considered for Basel III capital adequacy computation.

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 (ECAI) 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 December 31, 2013, the domestic ECAI specified by RBI were CRISIL Limited, Credit Analysis & Research Limited, ICRA Limited, Fitch India, 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

At December 31, 2013, the credit exposures subject to the Standardised approach after adjusting for credit risk mitigation by risk weights were as follows:

₹ in million

Exposure category	**Amount outstanding**[1]
Less than 100% risk weight[3]	3,567,663.0
100% risk weight	4,399,332.2
More than 100% risk weight	836,566.5
Deducted from capital	-
Total[2, 3]	**8,803,561.7**

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.
3. Includes investment in government securities held under held-to-maturity category.