BASEL – PILLAR 3 DISCLOSURES (CONSOLIDATED) AT MARCH 31, 2015

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 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	Mar 31, 2019
Minimum common equity Tier-1 (CET1) ratio	4.50%	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%
Capital conservation buffer (CCB)	-	-	-	0.63%	1.25%	1.88%	2.50%
Minimum CET1 (incl CCB)	**4.50%**	**5.00%**	**5.50%**	**6.13%**	**6.75%**	**7.38%**	**8.00%**
Additional Tier-1 ratio	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Minimum Tier-1 ratio (incl CCB)	**6.00%**	**6.50%**	**7.00%**	**7.63%**	**8.25%**	**8.88%**	**9.50%**
Tier-2 ratio	3.00%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Minimum total capital ratio (incl CCB)	**9.00%**	**9.00%**	**9.00%**	**9.63%**	**10.25%**	**10.88%**	**11.50%**
Phase-in of all deductions from capital funds (%)[1]	20	40	60	80	100	100	100

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

As per the transition table above, at March 31, 2015, ICICI Bank (the Bank) is required to maintain minimum CET1 capital ratio of 5.50%, minimum Tier-1 capital ratio of 7.00% and minimum total capital ratio of 9.00%.

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 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 from consolidated regulatory capital of the group.

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[1] [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. [USA]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable
ICICI Securities Inc. [USA]	Yes	Consolidated as per AS 21	Yes	Consolidated as per AS 21	Not applicable	Not applicable

Name of the entity[1] [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 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[2] [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	Deducted from capital for capital adequacy purposes
ICICI Lombard General Insurance Company Limited [India]	Yes	Consolidated as per AS 21	No	Not applicable	Not applicable	Deducted from capital for capital adequacy purposes
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 Equity Fund [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-Ven Biotech Limited [India]	Yes	Consolidated as per AS 21	No	Consolidated as per AS 21	Not applicable	Risk weighted for capital adequacy purposes

Name of the entity[1] [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
FINO PayTech Limited[3] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes
I-Process Services (India) Private Limited[3] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes
NIIT Institute of Finance Banking and Insurance Training Limited[3] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes
ICICI Merchant Services Private Limited[3] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes
India Infradebt Limited[3] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes
India Advantage Fund-III[3,4] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes
India Advantage Fund-IV[3,5] [India]	Yes	Accounted as per AS 23	No	Not applicable	Not applicable	Risk weighted for capital adequacy purposes

1. During the three months ended March 31, 2015, ICICI Bank Eurasia Limited Liability Company ceased to be a subsidiary and accordingly, has not been consolidated.
   During the three months ended December 31, 2014, ICICI Kinfra Limited ceased to be a consolidating entity and accordingly, has not been consolidated.
2. ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.
3. These entities are accounted as per the equity method as prescribed by AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements'
4. The entity has been accounted as per the equity method from the three months ended June 30, 2014.
5. The entity has been accounted as per the equity method from the three months ended September 30, 2014.

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

Following is the list of group entities considered under regulatory scope of consolidation:

₹ in million

Name of the entity **[Country of incorporation]**	**Principle activity of the entity**	**Total balance sheet equity at March 31, 2015 (as per accounting balance sheet)**	**Total balance sheet assets at March 31, 2015 (as per accounting balance sheet)**
ICICI Bank UK PLC [United Kingdom]	Banking	18,044.6	258,607.5
ICICI Bank Canada [Canada]	Banking	27,279.0	291,854.0
ICICI Securities Limited [India]	Securities broking and merchant banking	1,610.7	13,611.4
ICICI Securities Holdings Inc. [USA]	Holding company of ICICI Securities Inc.	728.2	603.6
ICICI Securities Inc. [USA]	Securities broking	571.7	171.3
ICICI Securities Primary Dealership Limited [India]	Securities investment, trading and underwriting	1,563.4	146,881.0
ICICI Venture Funds Management Company Limited [India]	Private equity/venture capital fund management	10.0	5,140.5
ICICI Home Finance Company Limited [India]	Housing finance	10,987.5	82,991.3
ICICI Trusteeship Services Limited [India]	Trusteeship services	0.5	4.9
ICICI Investment Management Company Limited [India]	Asset management	100.0	151.1
ICICI International Limited [Mauritius]	Asset management	36.8	94.9
ICICI Prudential Pension Funds Management Company Limited [India]	Pension fund management	270.0	265.1
ICICI Prudential Asset Management Company Limited [India]	Asset management company for ICICI Prudential Mutual Fund	176.5	7,283.3
ICICI Prudential Trust Limited [India]	Trustee company for ICICI Prudential Mutual Fund	1.0	15.1
ICICI Equity Fund [India]	Unregistered venture capital fund	976.3	444.4
ICICI Strategic Investments Fund [India]	Unregistered venture capital fund	4,790.0	552.8

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 March 31, 2015. ICICI 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:

₹ in million

Name of the entity [Country of incorporation]	Principle activity of the entity	Total balance sheet equity at March 31, 2015 (as per accounting balance sheet)	% 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	14,317.2	73.71%	62 bps positive impact on CRAR
ICICI Lombard General Insurance Company Limited [India]	General insurance	4,465.9	72.97%	26 bps positive impact on CRAR

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

There are no restrictions or impediments on transfer of funds or regulatory capital within the Group at March 31, 2015.

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. RBI guidelines on Basel III require the Bank to maintain a minimum ratio of total capital to risk weighted assets of 9.00%, with a minimum Tier-1 capital adequacy ratio of 7.00%. The total capital adequacy ratio of the Bank at a standalone level at March 31, 2015 as per the RBI guidelines on Basel III is 17.02% with a Tier-1 capital adequacy ratio of 12.78%. The total capital adequacy ratio of the ICICI Group (consolidated) at March 31, 2015 as per the RBI guidelines on Basel III is 17.20% with a Tier-1 capital adequacy ratio of 12.88%.

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 (March 31, 2015)

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	**463,971.7**
- for portfolio subject to standardised approach	459,262.8
- for securitisation exposure	4,708.9
c. Capital required for market risk	**39,395.0**
- for interest rate risk[2]	29,449.9
- for foreign exchange (including gold) risk	710.1
- for equity position risk	9,235.0
d. Capital required for operational risk	**37,003.7**
Total capital requirement (b+c+d)	**540,370.4**
Total capital funds of the Bank	**1,032,881.0**
Total risk weighted assets	**6,004,115.2**
Capital adequacy ratio	**17.20%**

1. Includes all entities considered for Basel III capital adequacy computation.
2. Includes capital required of ₹ 3,683.4 million for securitisation exposure.

The capital ratios of the Bank and its banking subsidiaries at March 31, 2015 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]
CET1 capital ratio	12.79%	12.78%	14.62%	25.52%
Tier-1 capital ratio	12.88%	12.78%	14.62%	27.66%
Total capital ratio	17.20%	17.02%	19.19%	28.49%

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

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 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. 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 risk, standardised duration 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. 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. All credit approval authorisations require the approval of 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. 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.

The Bank has a framework for conducting asset reviews. The risk based review framework outlines the review schedule to be a function of the rating and quantum of exposure as a result of which the asset quality reviews (AQRs) have to be done on quarterly, half-yearly or annual basis.

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, 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 vetted 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 (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 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 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, 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 operating risk in the various back-office processes of its retail assets business except for a few operations, which are decentralized to improve turnaround time for customers. A separate team under the Retail Strategy 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, handling the fraud prevention, detection, investigation, monitoring, reporting and awareness creation functions. A fraud prevention and control group has been set up to manage fraud-related risks, through fraud prevention and through the recovery of fraud losses. The fraud control group evaluates various external agencies involved in retail asset finance operations, including direct marketing associates, external verification associates and collection agencies.

The segregation of responsibilities and monitoring by groups external to the business groups ensures 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 periodic 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 twelve 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, increased 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

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.

Credit risk exposures (March 31, 2015)

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]	7,020,794.4
Non-fund based facilities	2,892,442.9
Total[2]	**9,913,237.3**

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 (March 31, 2015)

₹ in million

Category	Fund-based facilities[1]	Non-fund based facilities
Domestic	5,331,723.7	2,419,710.2
Overseas	1,689,070.7	472,732.7
Total[2]	**7,020,794.4**	**2,892,442.9**

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 (March 31, 2015)

₹ in million

Industry	Fund-based facilities[4]	Non-fund based facilities
Retail finance[1]	2,302,124.7	31,864.5
Electronics & engineering	120,481.8	563,149.7
Bank[2]	372,926.1	253,939.6
Crude petroleum/refining & petrochemicals	175,951.1	448,340.3
Services - finance	455,140.2	97,929.5
Road, port, telecom, urban development & other infrastructure	313,528.0	170,584.1
Services - non-finance	320,073.4	145,874.9
Power	292,563.3	161,213.9
Iron/steel & products	257,684.7	161,995.5
Construction	116,782.2	226,154.8
Wholesale/retail trade	167,087.3	102,827.6
Metal & products (excluding iron & steel)	118,093.4	111,597.6
Food & beverages	110,991.5	42,389.3
Mutual funds	140,550.0	434.8
Mining	73,391.4	62,476.3
Cement	100,352.2	28,777.5
Chemical & fertilisers	42,325.9	62,334.0
Shipping	58,351.3	46,007.8
Automobiles	52,234.8	47,911.4
Drugs & pharmaceuticals	45,569.5	27,501.7
Manufacturing products excluding metal	44,816.9	17,311.6

Industry	Fund-based facilities[4]	Non-fund based facilities
Gems & jewellery	44,800.3	12,340.6
Textile	24,940.1	25,647.5
FMCG	8,394.3	5,553.0
Venture capital funds	3,492.4	-
Other industries[3]	1,258,147.6	38,285.4
Grand Total[5]	**7,020,794.4**	**2,892,442.9**

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 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 finance) in excess of 5% of total exposure

₹ in million

Industry	Fund-based facilities	Non-fund based facilities
Electronics & engineering	120,481.8	563,149.7
Bank	372,926.1	253,939.6
Crude petroleum/refining & petrochemicals	175,951.1	448,340.3
Services - finance	455,140.2	97,929.5

c. Maturity pattern of assets (March 31, 2015)[1]

The maturity pattern of assets at March 31, 2015 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	114,705.9	146,477.1	278,821.2	19,801.3	-	20,947.1	580,752.7
2 to 7 days	5,051.3	1,314.0	148,509.0	20,493.3	60.1	15,960.7	191,388.4
8 to 14 days	5,324.1	7,692.0	84,043.2	31,274.6	2,356.1	16,775.3	147,465.4
15 to 28 days	4,316.4	7,631.7	123,015.3	70,803.9	-	32,673.2	238,440.4
29 days to 3 months	8,995.4	16,523.6	69,639.8	269,839.0	7.7	13,666.4	378,671.9
3 to 6 months	9,036.8	2,959.4	106,871.7	291,550.4	(35.2)	17,966.8	428,349.9
6 months to 1 year	17,472.9	8,959.7	248,421.5	446,118.4	2.5	2,940.3	723,915.3
1 to 3 years	17,007.8	9,515.8	199,776.5	1,729,024.7	61.5	693.4	1,956,079.6
3 to 5 years	32,375.0	2,543.3	277,058.9	745,050.3	15.4	324.6	1,057,367.5
Above 5 years	42,401.6	3,259.6	462,065.3	763,915.0	46,137.0	158,429.9	1,476,208.3
Total	**256,687.3**	**206,876.0**	**1,998,222.4**	**4,387,870.9**	**48,605.1**	**280,377.9**	**7,178,639.5**

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.

d. Amount of non-performing loans (NPLs) (March 31, 2015)

₹ in million

NPL classification	Gross NPLs	Net NPLs
Sub-standard	37,866.1	28,115.9
Doubtful	107,721.9	48,264.5
- Doubtful 1[1]	*52,344.5*	*29,355.0*
- Doubtful 2[1]	*47,264.7*	*18,818.8*
- Doubtful 3[1]	*8,112.7*	*90.6*
Loss	26,811.3	144.5
Total[2, 3]	**172,399.3**	**76,524.9**
NPL ratio[4]	**3.82%**	**1.74%**

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.
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

₹ in million

	Gross NPL	Net NPL
Opening balance at April 1, 2014	122,512.4	44,597.7
Additions during the year	89,842.4	57,492.7
Reduction/write-off during the year	(39,955.5)	(25,565.5)
Closing balance at March 31, 2015[1]	**172,399.3**	**76,524.9**

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

f. Movement of provisions for NPLs

₹ in million

	Amount
Opening balance at April 1, 2014	77,914.7
Provisions made during the year	42,415.6
Write-off (including on sale) during the year	(17,647.2)
Write-back of excess provisions during the year	(6,808.7)
Closing balance at March 31, 2015[1]	**95,874.4**

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

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

₹ in million

	Amount
Gross NPIs at March 31, 2015	11,497.6
Total provisions held on NPIs	(8,262.2)
Net NPIs at March 31, 2015[1]	**3,235.4**

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

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

₹ in million

	Amount
Opening balance at April 1, 2014	**23,433.2**
Provision/depreciation (net) made during the year	7,057.0
Write-off/write-back of excess provision during the year	(3,672.2)
Closing balance at March 31, 2015[2]	**26,818.0**

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 March 31, 2015, 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

At March 31, 2015, 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[1]
Less than 100% risk weight	4,036,874.2
100% risk weight	4,740,968.1
More than 100% risk weight	959,083.2
Total[2, 3]	**9,736,925.5**

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.

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 include 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 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, bank 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.

b. Portfolio covered by eligible financial collateral (March 31, 2015)

₹ in million

	Amount[1]
Exposures fully covered by eligible financial collateral, after application of haircut	295,891.5

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 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.

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. The securitised pools are continuously monitored and those requiring attention are subjected to specific interventions (e.g. focused collection efforts in affected geographies) to improve their performance.

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

Whether the transactions are treated as sale or financing

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.

In accordance with the RBI guidelines dated May 7, 2012 for securitisation of standard assets, with effect from May 7, 2012, 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 transaction based on the method prescribed in RBI guidelines.

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

The valuation of the retained interests in the form of pass-through certificates (PTCs) is based on the projected cash flows as received from the securitisation trust/ issuer, which are present valued using the Yield-to-Maturity (YTM) rates, which are computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities as 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.

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) (March 31, 2015)

₹ in million

Exposure type	Outstanding[1]	Unrecognised gains/(losses)
Vehicle/equipment loans	-	-
Home and home equity loans	4,205.6	-
Personal loans	-	-
Corporate loans	784.9	-
Mixed asset pool	-	-
Total	**4,990.5**	**-**

1. The amounts represent the total outstanding principal at March 31, 2015 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 year ended March 31, 2015, the Bank had not securitised any assets as an originator.

ii. Break-up of securitisation gains/(losses) (net)

₹ in million

Exposure type	March 31, 2015[1]
Vehicle/equipment loans	56.3
Home and home equity loans	70.6
Personal loans	21.1
Corporate loans	-
Mixed asset pool	-
Total	**148.0**

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 March 31, 2015

₹ in million

	Amount
Amount of assets intended to be securitised within a year	64,722.9
Of which amount of assets originated within a year before securitisation	64,722.9

iv. Securitisation exposures retained or purchased (March 31, 2015)

₹ in million

Exposure type[1]	On-balance sheet	Off-balance sheet	Total
Vehicle/equipment loans	120.0	-	120.0
Home and home equity loans	10,835.9	486.4	11,322.2
Personal loans	-	-	-
Corporate loans	518.6	5,797.0	6,315.6
Mixed asset pool	-	-	-
Total	**11,474.4**	**6,283.4**	**17,757.8**

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 (March 31, 2015)

₹ 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	3,539.0	2,533.8	3,965.4	10,038.1
Personal loans	-	-	-	-
Corporate loans	6,027.6	1,572.1	-	7,599.7
Mixed asset pool	-	-	-	-
Total	**9,566.6**	**4,105.8**	**4,085.4**	**17,757.8**
Total capital charge	**254.0**	**369.5**	**4,085.4**	**4,708.9**

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

vi. Securitisation exposures deducted from capital (March 31, 2015)

₹ 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 (March 31, 2015)

₹ in million

Exposure type	Total[1]
Vehicle/equipment loans	-
Home and home equity loans	923.2
Personal loans	-
Corporate loans	-
Mixed asset pool	-
Small enterprise loans	-
Micro credit	-
Total	**923.2**

1. The amounts represent the outstanding principal at March 31, 2015 for securitisation deals.

ii. Securitisation exposures retained or purchased (March 31, 2015)

₹ in million

Exposure type[1]	On-balance sheet	Off-balance sheet	Total
Vehicle / equipment loans	66,643.8	-	66,643.8
Home & home equity loans	41,807.2	-	41,807.2
Personal loans	-	-	-
Corporate loans	253.5	-	253.5
Mixed Asset	-	-	-
Small enterprise loans	1,680.2	-	1,680.2
Micro credit	8,049.3	-	8,049.3
Total	**118,434.1**	**-**	**118,434.1**

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 (March 31, 2015)

₹ in million

	Exposure	Capital charge[1]
<100% risk weight	120,416.5	2,638.1
100% risk weight	562.4	50.6
>100% risk weight	994.8	994.7
Total	**121,973.6**	**3,683.4**

1. Represents capital required to be maintained at 9.00% as per RBI guidelines.

iv. Securitisation exposures deducted from capital (March 31, 2015)

₹ 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 market risk for the Bank is managed in accordance with the Investment Policy and Derivatives Policy which are 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
- Monitoring, 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. Monitoring

Treasury Control and Service Group (TCSG) is responsible for an independent check of the transactions entered into by the front office. It also monitors all the limits laid down in the Investment Policy.

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 (VaR). 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, price value of basis point (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 capital requirements for market risk (general and specific) at March 31, 2015 were:

₹ in million

	Amount[1]
Capital required	**39,395.0**
- for interest rate risk[2]	29,449.9
- for foreign exchange (including gold) risk	710.1
- for equity position risk	9,235.0

1. Includes all entities considered for Basel III capital adequacy computation.
2. Includes capital required of ₹ 3,683.4 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 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;
- Help business and operations to improve internal controls, reduce likelihood of occurrence of operational risk incidents and minimise potential impact of losses;
- 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; and
- Compute capital charge for operational risk as per the guidelines issued by the RBI.

Operational risk management governance and framework

The Bank has a comprehensive risk governance structure in line with the RBI guidelines. Further, the Bank is in compliance with the corporate governance requirements of Securities and Exchange Board of India (SEBI), Companies Act and Sarbanes Oxley (SOX) Act (USA).

The Board level committees that undertake supervision and review of operational risk aspects are the Risk Committee (RC), Fraud Monitoring Committee (FMC), Audit Committee (AC) and Information Technology Strategy Committee (ITSC).

The executive level committees that undertake supervision and review of operational risk aspects are the Operational Risk Management Committee (ORMC), Outsourcing Committee (OCM), Information Security Committee (ISC), Business Continuity Management Steering Committee (BCMC), and Product and Process Approval Committee (PAC),

The Board and the Risk Committee reviews 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). 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:

- Assessing the risk and ensure mitigation for the same for all material outsourced activities;
- Approving new outsourced activities;
- Ensuring that periodic review of outsourced agencies 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, Bank has a Product and Process Approval Committee (PAC) in place. The role of PAC is to assess the proposed product offering/process improvement from the business and operational perspective, examine the feasibility of system requirements for supporting the product/process and ascertain that adequate risk mitigation, legal and compliance measures are considered. All the new products and processes including modifications thereof are reviewed by the control groups such as risk, compliance, legal and audit, prior to being placed before the Committee for approval.

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 incident analysis are submitted to the Risk 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 dashboards 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 AMA by using internal loss data, scenario analysis and external 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. Further, the Bank has also submitted a notice of intention for migration to Advanced Measurement Approach (AMA).

Operational risk management in overseas branches and banking subsidiaries

ORMG is responsible for design, development and continuous enhancement of the operational risk management framework across the Bank including overseas banking subsidiaries and overseas branches. While the common framework is adopted, suitable modifications in the processes are carried out depending upon the requirements of the local regulatory guidelines. 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 (March 31, 2015)

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 March 31, 2015 was ₹ 37,003.7 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 Asset Liability Management Group (ALMG) at the Bank monitors and manages the 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.

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 the various reports to monitor the adherence to the prudential limits as per the ALM Policy. These limits are monitored 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/ratification. Upon review of the indicators of IRRBB and the impact thereof, ALCO may suggest necessary corrective actions in order to realign 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 the 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, ALMG manages the IRRBB with the help of various tools i.e. gap analysis, earning 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. Interest bearing balances maintained in current account with banks are 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 6 months is as per the liquidity gap bucketing and the residual portion is bucketed in "6

months – 1 year" bucket considering the de-regulation of interest rates on saving account deposits by RBI. 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 direction of 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 premature 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), over and above the impact as estimated through 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. Duration 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 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 and overseas operations.

Most of the other banking entities in the Group, wherever applicable, also monitor IRRBB through similar tools and limit framework.

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 March 31, 2015, assuming a parallel shift in the yield curve:

₹ in million

	Change in interest rates[1]	
Currency	**-100 basis points**	**+100 basis points**
INR	(6,759.4)	6,759.4
USD	(934.0)	934.0
Others	(528.0)	528.0
Total	**(8,221.4)**	**8,221.4**

1. Consolidated figures for ICICI Bank and its banking subsidiaries, ICICI Home Finance Company, ICICI Securities Primary Dealership Limited and ICICI Securities 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 March 31, 2015, assuming a parallel shift in the yield curve:

₹ in million

	Change in interest rates[1, 2]	
Currency	**-100 basis points**	**+100 basis points**
INR	28,344.6	(28,344.6)
USD	1,731.6	(1,731.6)
Others	(1,905.8)	1,905.8
Total	**28,170.4**	**(28,170.4)**

1. For INR, coupon and yield of Indian government securities and for other currencies, coupon and yield of currency-wise Libor/swap rates have been assumed across all time buckets that are closest to the mid-point of the time buckets.
2. Consolidated figures for ICICI Bank and its banking subsidiaries, ICICI Home Finance Company, ICICI Securities Primary Dealership Limited and ICICI Securities 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 increases 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 risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

Organisational set-up

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 realign 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 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 behavioural 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 a 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 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 3 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 and 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. The Bank also has access to refinancing facilities extended by the RBI.

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 Individual Liquidity Adequacy Assessment (ILAA) 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. 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.

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 centralized exposure management system. The analysis of the composition of the portfolio is presented to the Risk Committee on a quarterly basis. TCSG monitors the credit excess (MTM including treasury over dues exceeding sanctioned limit and margin held) for corporate clients on a daily basis. Further, RMG reports the credit exposure of derivatives as part of the key risk indicators to the Risk Committee periodically.

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 typically statutory liquidity ratio eligible investments. The haircut for all such 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, and for certain borrowings the Bank would be required to renegotiate a new interest rate with its lenders. If the Bank is not able to reach an agreement for an interest rate with a lender, the lender could require the Bank to prepay the outstanding principal amount of the loan. The Bank has placed a limit on such borrowings.

Further, the Bank has an ALCO approved framework for incorporating additional collateral posting, acceleration clauses linked to downgrade in the external credit rating of the Bank in letter of credit (LC)/stand by letter of credit (SBLC)/bank guarantee (BG)/unfunded risk participation agreements.

In respect of overseas branch 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 Credit Support Annex (CSA), respectively. Certain CSAs have a clause which requires the counterparties to post/transfer the collateral for 'out-of-money' derivative transaction with the swap counterparty to mitigate the credit risk based to threshold credit rating or downgrade in credit rating. The Bank has an ALCO approved framework for accepting covenants, linked to credit rating downgrade of the Bank and breach in thresholds of certain financial covenants, as a part of borrowing agreements and a stress scenario has been formulated linked to potential outflows due to breach of such covenants. 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 rating process.

The derivative exposure is calculated using Current Exposure Method (CEM) and the balance out standing as on March 31, 2015 is given below:.

₹ in million

Particulars	**Notional Amount**	**Current Exposure**
Interest rate swaps	4,359,509.9	76,582.9
Currency swaps	534,419.8	89,830.3
Forward rate agreement	46,773.8	259.1
Currency futures	1,324.8	26.5
Caps/floors	56,367.3	505.2
Options	535,251.8	12,698.4
Foreign exchange contract	3,047,990.4	101,814.6
Interest rate futures	22,717.6	113.6
Credit default swap - buy protection	1,400.0	-
Credit default swap - sell protection	1,400.0	42.0
Total	**8,607,155.4**	**281,872.5**

RISK MANAGEMENT FRAMEWORK OF NON-BANKING GROUP COMPANIES

ICICI SECURITIES PRIMARY DEALERSHIP LIMITED

The Board of Directors of the Company maintains oversight on the risk management framework of the Company and approves all major risk management policies and procedures. The Risk Management Committee of the Board is responsible for analysing and monitoring the risks associated with the different business activities of the Company and ensuring adherence to the risk and investment limits set by the Board of Directors.

The risk management function in the Company is managed by the Corporate Risk Management Group within the broad framework of risk policies and guidelines established by the Risk Management Committee.

The risk control framework is through an effective management information system, which tracks the investments as well as the limits such as exposure, stop loss, VaR. Valuation of instruments is carried out by mid-office as per guidelines issued by RBI/FIMMDA and other applicable regulatory agencies.

ICICI HOME FINANCE COMPANY LIMITED

The Board of Directors of the Company is responsible for the oversight and control of the functioning of the Company and approves all major policies and procedures of the Company. The Board of Directors has oversight of all the risks assumed by the company. The Board delegates authority to various committees responsible for managing the day-to-day activities such as:

- Audit and Risk Management Committee
- Management Committee
- Asset Liability Management Committee
- Committee of Directors
- Committee of Executives
- Product & Processes Approval Committee
- Banking Operations and Premises Committee

The policies approved by the Board of Directors form the governing framework for overall risk management. The key policies in this regard are Asset Liability Management Policy, Investment Policy, Anti-Money Laundering Policy, Risk Management Policy, Credit & Recovery Policy, Credit Approval Authorisation Manual, Operational Risk Management Policy and Outsourcing Policy. Business activities are undertaken within this framework. Independent support groups such as Compliance and Policy and Risk have been constituted to facilitate independent evaluation, monitoring and reporting of various risks. Additionally, independent functions such as internal audit and legal are supported by the Internal Audit Department and Corporate Legal Group of ICICI Bank under the oversight and monitoring of the Audit and Risk Management Committee of the Board of ICICI Home Finance Company. These support groups function independent of the business groups and represent themselves at the various committees.

The Company is primarily exposed to operational and credit risks arising out of its core business operations. In addition, balance sheet is exposed to liquidity and interest rate risks arising out of borrowing and lending activities also. The Asset Liability Management Committee has overall responsibility of monitoring and managing the structural liquidity and interest rate risk. The Asset Liability Management Committee on a periodic basis (at least once in quarter and more often if required) reviews the asset liability management position. The company also has in place Liquidity Contingency Plan that defines the minimum threshold level of liquidity to be maintained. Interest rate risk may arise due to change in interest rate environment.

ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

The risk governance structure consists of the Board, Board Risk Management Committee (BRMC), Executive Risk Committee (ERC) and its sub committees. The BRMC comprises non-executive directors. The Board, on recommendation of BRMC, has approved the following risk policies:

- Board Market Risk Policy;
- Board Credit Risk Policy;
- Board Liquidity Risk Policy;
- Board Insurance Risk Policy;
- Board Operational Risk Policy;
- Board Fraud Risk Policy

In addition to the above, the Board has approved the following policies that assist in managing some of the above risks:

- Board Reinsurance Risk Policy;
- Board Underwriting Risk Policy; and
- Board Outsourcing Risk Policy.

The Board Market Risk Policy, Board Credit Risk Policy, Board Liquidity Risk Policy and Board Insurance Risk Policy collectively constitute the Asset Liability Management (ALM) Policy of the Company.

The risk policies set out the governance structure for risk management in the Company. The ERC is responsible for assisting the Board and the BRMC in their risk management duties and, in particular, is responsible for assisting the Board and the BRMC in their risk management duties and, in particular, is responsible for the approval of all new products launched by the Company.

The Investment Risk Committee assists the ERC in identification, measurement, monitoring and control of market, liquidity and credit risks. This includes asset liability management through regular monitoring of the equity backing ratios and asset liability duration mismatch. The Company has a liquidity contingency plan in place.

The Insurance Risk Committee assists the ERC in identification, measurement, monitoring and control of insurance risks i.e. persistency, mortality, morbidity and expense risks.

The Operational Risk Committee assists the ERC in identification, measurement, monitoring and control of operational risks i.e. risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Operational Risk Committee also assists in implementation of the fraud risk policy. The Outsourcing Committee reports to the ERC on management of outsourcing risk i.e. risk due to using the services of a third party to perform activities on a continuous basis that would have been normally undertaken by the Company.

The risk management model of the Company comprises a four stage continuous cycle, namely identification and assessment, measurement, monitoring and control of risks.

The Company's Risk Policies detail the strategy and procedures adopted to follow the risk management cycle at the enterprise level. A risk report detailing the key risk exposures faced by the Company is placed before the BRMC on a periodic basis.

ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

The objective of the Risk Management Framework of the Company is to ensure that various risks are identified, measured, mitigated and that policies, procedures and standards are established to address these risks for systemic response and adherence.

The Company has identified enterprise wide risks, which are categorized under 5 broad groups namely Credit Risk, Market Risk, Underwriting Risk, Operational Risk and Strategic Risk. The broad structure of the framework is as follows:

- Risk identification, assessment and mitigation process;
- Risk management and oversight structure; and
- Risk monitoring and reporting mechanism.

As part of the Enterprises Risk Management exercise, critical risks along with the detailed mitigation plan are presented to the Risk Committee. The risk mitigation plans are monitored regularly by the Company to ensure their timely and appropriate execution. The Company further measures each of its risk items against a set of predefined tolerance levels. These levels and the subsequent tolerance scores are classified as high, medium and low risk respectively. The risks are further monitored on a quarterly basis by using a heat map based on probability and severity. A Risk Register is maintained to capture inventory of risks that the Company is exposed to along with mitigation and corrective action plans. The Risk Committee is updated on the progress on a quarterly basis.

The senior management of the Company is responsible for periodic review of the risk management process to ensure that the process initiatives are aligned to the desired objectives. The Internal Audit Department is responsible for review of risk management processes within the Company and for the review of self-assessments of risk management activities. Further, compliance testing is done on a periodic basis and the Risk Committee is kept appraised of the outcome of the same.

The Company's reinsurance program defines the retention limit for various classes of products. Further, the Company has in place a retention reinsurance philosophy, which defines the product-wise retention limits on a per-risk basis as well as a retention limit on a per-event basis. The Underwriting Policy defines product-wise approval limits for various underwriters. The Investment Policy lays down the asset allocation strategy to ensure financial liquidity, security and diversification. The Company also has in place a Capital Adequacy and Liquidity Management Framework and an Asset Liability Management Policy. These policies ensure maintenance of adequate level of capital at all times to meet diverse risk related to market and operations. The Operational Risk policy defines the tolerance limits and lays down the framework for monitoring, supervision, reporting and management of operational risks for the Company.

Stress testing is conducted on a periodic basis to identify and quantify the overall impact of different stress scenarios on the Company's financial position. These tests do not predict what will happen, but are useful for examining what might happen.

The Risks Management Framework of the Company is overseen by the Risk Committee of the Board. The Company has a Chief Risk Officer who is responsible for the implementation and monitoring of the framework.

ICICI SECURITIES LIMITED

The Board of Directors of ICICI Securities has constituted a Risk Management Committee (RMC) for identifying and assessing risks, framing risk management policies and methodologies, ensuring compliance of the same, managing various risks, analysing and monitoring various products/processes/policies from an operational risk perspective and suggesting risk controls to ensure that the residual risk of various business activities is within tolerable limits. The RMC is chaired by an independent director and the Committee meets at least once in a quarter.

The risk management function in the Company is performed by the Corporate Risk Management Group (CRMG) within the broad framework as contained in the Corporate Risk and Investment Policy (CRIP). The CRIP is approved by the RMC. The CRMG aims at anticipating risks, proactively planning for managing such risks and being better equipped for handling/managing any uncertainties.

The finance team works under the broad framework of Asset Liability Management Policy to ensure maintenance of adequate level of economic capital at all times.

Further, the following committees also contribute to the operational efficiency and risk management of the company:

- Audit Committee;
- Product & Processes Approval Committee;
- Compliance Committee;
- Investment Committee;
- Commitment Committee; and
- Information Technology (IT) Risk & Customer Service Committee.

In addition to the above, various other policies including Prevention of Money Laundering Policy, Oversight Policy, Whistle Blower Policy, Fraud Risk Management Policy and Prevention of Insider Trading Policy (Code of Conduct) help in mitigating various risks faced by the Company. Further, activities such as internal audit of various business units and corporate services, risk based compliance monitoring, risk and controls self-assessment, operational risk reviews and SEBI mandated internal audit of broking operations ensure the independent evaluation, monitoring and reporting of the risks.

ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED

The policies approved by the Board of Directors form the governing framework for overall risk management. The key policies in this regard are Anti-money laundering

policy, Insider Trading Policy, Chinese Wall Policy, Conflict Resolution Policy, Arm's Length Policy, Anti-Bribery and Anti-Corruption Policy. Business activities are undertaken within this framework. Independent groups such as Compliance and Operational Risk have been constituted to facilitate independent evaluation, monitoring and reporting of various risks. These groups function independent of the business groups and represent themselves at the Audit Committee of the Board of the company and also interface with the corresponding groups at ICICI Bank for a Group level oversight.
The Operational Risk Management function was created during fiscal 2011 to establish an operational risk management framework in the company. The framework includes the Operational Risk Management Policy, Board-approved process manuals and Operational Risk Management Committee. A Risk Register has also been created and maintained as a part of the Risk and Control Self-Assessment exercise involving all the departments in the company. The Register contains an inventory of risks that the company is exposed to along with existing controls. The Operational Risk Management Committee overviews the functioning of operational risk management within the company.

ICICI PRUDENTIAL ASSET MANAGEMENT COMPANY LIMITED

ICICI Prudential AMC has in place a Risk Management Policy detailing the philosophy and procedure adopted to identify measure, monitor and treat/mitigate risk at the enterprise level. As per the policy, the management reviews the risk levels and action plans at a Risk Management Committee meeting, which is convened on a periodic basis.

The Risk Management Committee addresses a wide range of issues such as operational risk, investment risk, reputation risk and strategic risk. Also a key risk report summarising the key risks faced by the enterprise is placed before the Audit and Risk Committee (which is a board-level committee) and Risk Management Committee periodically.

The internal control group carries out operational risk assessment across all business processes/lines and appraises the Risk Management Committee on the key operational risk areas and suggested action plans if any to mitigate the risks.

Investment Risk oversight forms an integral part of the overall risk management framework and is guided by the Equity Investment and Debt Investment policy for mutual funds. The process of assessment of investment risk includes portfolio construction/asset allocation, analysis of performance of funds, review of credit/counterparty/concentration risk, monitoring of liquidity risk in debt funds (major money market and other key debt funds), stress testing of liquidity risk and impact and review of trade price vs. volume-weighted average price. To sensitise management regarding any exceptions in the area of investments, the investment risk oversight reporting forms part of the Investment Committee.

The Company has in place various policies to manage operational risk such as the business continuity plan, information technology security policy, product and process approval guidelines and procedure manuals.

DISCLOSURE ON REMUNERATION

Table DF-15: Disclosure Requirements for Remuneration

a) Information relating to the composition and mandate of the Remuneration Committee

The Board Governance, Remuneration & Nomination Committee (BGRNC) at March 31, 2015 comprised three independent Directors. The functions of the Committee include recommendation of appointments of Directors to the Board, evaluation of the performance of the Whole Time Directors (including the Managing Director & CEO) on predetermined parameters, recommendation to the Board of the remuneration (including performance bonus and perquisites) to Whole Time Directors, approval of the policy for and quantum of bonus payable to the members of the staff, framing of guidelines for the Employees Stock Option Scheme (ESOS) and recommendation of grant of the Bank's stock options to employees and Whole Time Directors of the Bank and its subsidiary companies.

b) Information relating to design and structure of remuneration processes and the key features and objectives of remuneration policy

The Bank has under the guidance of the Board and the BGRNC, followed compensation practices intended to drive meritocracy within the framework of prudent risk management. This approach has been incorporated in the Compensation Policy approved by the Board on January 31, 2012, pursuant to the guidelines issued by RBI.

The key elements of the Bank's compensation practices are:

- Effective governance of compensation: The BGRNC has oversight over compensation. The Committee defines Key Performance Indicators (KPIs) for Whole Time Directors and equivalent positions and the organisational performance norms for bonus based on the financial and strategic plan approved by the Board. The KPIs include both quantitative and qualitative aspects. The BGRNC assesses organisational performance as well as the individual performance for Whole Time Directors and equivalent positions. Based on its assessment, it makes recommendations to the Board regarding compensation for Whole Time Directors and equivalent positions and bonus for employees.

- Alignment of compensation philosophy with prudent risk taking: The Bank seeks to achieve a prudent mix of fixed and variable pay, with a higher proportion of variable pay at senior levels and no guaranteed bonuses. Compensation is sought to be aligned to both financial and non-financial indicators of performance including aspects like risk management and customer service. In addition, the Bank has an employee stock option scheme aimed at aligning compensation to long term performance through stock option grants that vest over a period of time. Compensation of staff in financial and risk control functions is independent of the business areas they oversee and depends on their performance assessment.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes including the nature and type of the key measures used to take account of these risks.

The Board approves the risk framework for the Bank and the business activities of the Bank are undertaken within this framework to achieve the financial plan. The risk framework includes the Bank's risk appetite, limits framework and policies and procedures governing various types of risk. KPIs of Whole Time Directors & equivalent positions, as well as employees, incorporate relevant risk management related aspects. For example, in addition to performance targets in areas such as growth and profits, performance indicators include aspects such as the desired funding profile and asset quality. The BGRNC takes into consideration all the above aspects while assessing organisational and individual performance and making compensation-related recommendations to the Board.

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The level of performance bonus, increments in salary and allowances and grant of stock options are determined based on the assessment of performance as described above.

e) Discussion of the Bank's policy on deferral and vesting of variable remuneration and the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

The quantum of bonus for an employee does not exceed a certain percentage (as stipulated in the compensation policy) of the total fixed pay in a year. Within this percentage, if the quantum of bonus exceeds a predefined threshold percentage of the total fixed pay, a part of the bonus is deferred and paid over a period. The deferred portion is subject to malus, under which the Bank would prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence, breach of integrity or in the event of a reasonable evidence of deterioration in financial performance. In such cases, variable pay already paid out is subject to clawback arrangements.

f) Description of the different forms of variable remuneration that the Bank utilises and the rationale for using these different forms

The Bank pays performance linked retention pay (PLRP) to its front-line staff and junior management and performance bonus to its middle and senior management. PLRP aims to reward front line and junior managers, mainly on the basis of skill maturity attained through experience and continuity in role which is a key differentiator for customer service. The Bank also pays variable pay to sales officers and relationship managers in wealth management roles while ensuring that such pay-outs are in accordance with the requirement of RBI from time to time. The Bank ensures higher proportion of variable pay at senior levels and lower variable pay for front-line staff and junior management levels.

(B) Quantitative disclosures

The following table sets forth, for the period indicated, the details of quantitative disclosure for remuneration of WTDs (including MD & CEO) and Presidents.

₹ in million, except numbers

Particulars	**Year ended March 31, 2015**
Number of meetings held by the BGRNC Remuneration paid to its members (sitting fees)	5 0.3
Number of employees having received a variable remuneration award	6
Number and total amount of sign-on awards made	Nil
Details of guaranteed bonus paid as joining/sign on bonus	Nil
Details of severance pay, in addition to accrued benefits	Nil
Total amount of outstanding deferred remuneration	
Cash	54.3
Shares	Nil
Shares-linked instruments (nos.)	13,057,500
Other forms	Nil
Total amount of deferred remuneration paid out	18.2
Break-down of amount of remuneration awards	
Fixed[1]	172.6
Variable[2]	65.0
Deferred[3]	-
Non-deferred	65.0
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments at March 31	54.3
Total amount of reductions due to ex-post explicit adjustments	Nil
Total amount of reductions due to ex-post implicit adjustments	Nil

1. Fixed pay includes basic salary, supplementary allowances, superannuation, contribution to provident fund and gratuity fund by the Bank.
2. Variable pay for the year ended March 31, 2015 is awarded in the month of April 2015 and is subject to approval from RBI.
3. In line with the Bank's compensation policy, the stipulated percentage of performance bonus is deferred.

3. COMPOSITION OF CAPITAL

Disclosures pertaining to composition of capital, including the capital disclosure templates, main features of equity and debt capital instruments and the terms and conditions of equity and debt capital instruments 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