ICICI BANK LTD
Form 20-F
July 31, 2017

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

OR

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

OR

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

Commission file number: 001-15002

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

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

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

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

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

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

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

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

[None]

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

[None]

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

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

U.S. GAAP

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

Other

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

Item 17 Item 18

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

Yes No

table of contents

Page

Cross Reference Sheet	i
Certain Definitions	1
Forward-Looking Statements	2
Exchange Rates	3
Market Price Information	5
Risk Factors	7
Business	42
Overview	42
History	43
Shareholding Structure and Relationship with the Government of India	44
Strategy	45
Overview of Our Products and Services	46
Funding	60
Risk Management	63
Loan Portfolio	86
Classification of Loans	93
Subsidiaries, Associates and Joint Ventures Technology	107
Competition	112
Employees	114
Properties	115
Legal and Regulatory Proceedings	115
American Depository Receipt Fees and Payments	119
Selected Consolidated Financial and Operating Data	121
Operating and Financial Review and Prospects	126
Management	217
Overview of The Indian Financial Sector	231
Supervision and Regulation	243
Exchange Controls	285
Restriction On Foreign Ownership of Indian Securities	288
Dividends	291
Taxation	292
Presentation Of Financial Information	298
Additional Information	299
Exhibit Index	301

Cross Reference Sheet

Form 20-F	Item Number and Caption	Location	
Part – I			
1	Identity of Directors, Senior Management and Advisers	Not applicable	
2	Offer Statistics and Expected Timetable	Not applicable	
3	Key Information	Selected Consolidated Financial and Operating Data	117
		Exchange Rates	3
		Risk Factors	7
4	Information on the Company	Business	40
		Operating and Financial Review and Prospects	122
		Overview of the Indian Financial Sector	226
		Supervision and Regulation	238
		Business—Subsidiaries, Associates and Joint Ventures	103
		Business—Properties	111
		Schedule 18B Note 5 in Notes to Consolidated Financial Statements	F-63
4A	Unresolved Staff Comments	None	
5	Operating and Financial Review and Prospects	Operating and Financial Review and Prospects	122
		Business—Risk Management	61
		Business—Funding	58
6	Directors, Senior Management and Employees	Management	211
		Business—Employees	110
7	Major Shareholders and Related Party Transactions	Business—Shareholding Structure and Relationship with the Government of India	41
		Operating and Financial Review and Prospects—Related Party Transactions	196
		Management—Compensation and Benefits to Directors and Officers—Loans	224
		Schedule 18. Note 3 in Notes to Consolidated Financial Statements	F-42
8	Financial Information	Report of Independent Registered Public Accounting Firm	F-2

Form 20-F	Item Number and Caption	Location	
		Consolidated Financial Statements and the Notes thereto	F-5
		Operating and Financial Review and Prospects—Executive Summary	122
		Business—Legal and Regulatory Proceedings	111
		Dividends	284
9	The Offer and Listing	Market Price Information	5
10	Additional Information	Additional Information	292
		Exchange Controls	279
		Taxation	285
		Restriction on Foreign Ownership of Indian Securities	281
		Dividends	284
		Business—Subsidiaries, Associates and Joint Ventures	103
11	Quantitative and Qualitative Disclosures About Market Risk	Business—Risk Management—Quantitative and Qualitative Disclosures About Market Risk	68
12	Description of Securities Other than Equity Securities	Business—American Depository Receipt Fees and Payments	116
Part – II			
13	Defaults, Dividend Arrearages and Delinquencies	Not applicable	
14	Material Modifications to the Rights of Security Holders and Use of Proceeds	Not applicable	
15	Controls and Procedures	Business—Risk Management—Controls and Procedures	83
16	[Reserved]	Not applicable	
16A	Audit Committee Financial Expert	Management—Corporate Governance—Audit Committee	217
16B	Code of Ethics	Management—Corporate Governance—Code of Ethics	220
16C	Principal Accountant Fees and Services	Management—Corporate Governance—Principal Accountant Fees and Services	220

Form 20-F	Item Number and Caption	Location	
16D	Exemptions from the Listing Standards for Audit Committees	Not applicable	
16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Business—Shareholding Structure and Relationship with the Government of India	41
16F	Change in Registrant's Certifying Accountant	Not applicable	
16G	Corporate Governance	Management—Summary Comparison of Corporate Governance Practices	220
Part – III			
17	Financial Statements	See Item 18	
18	Financial Statements	Report of Independent Registered Public Accounting Firm	F-2
		Consolidated Financial Statements and the Notes Thereto	F-5
19	Exhibits	Exhibit Index and Attached Exhibits	294

Certain Definitions

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

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

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

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

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

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

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

Forward-Looking Statements

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

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

Exchange Rates

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

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

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

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

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

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

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

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

3

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

Market Price Information

Equity Shares

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

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

The following table shows:

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

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

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

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

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

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

5

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

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

ADSs

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

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

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

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

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

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

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

6

Risk Factors

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

Risks Relating to India and Other Economic and Market Risks

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

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

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

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during

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

The Indian economy in general, and the agricultural sector in particular, are impacted by the level and timing of monsoon rainfall. Investments by the corporate sector in India are impacted by government policies and decisions including policies and decisions regarding awards of licenses, access to land, access to natural resources and the protection of the environment. Economic growth in India is also influenced by inflation, interest rates, external trade and capital flows. The level of inflation or depreciation of the Indian rupee may limit monetary easing or cause monetary tightening by the Reserve Bank of India. Any increase in inflation, due to increases in domestic food prices or global prices of commodities, including crude oil, the impact of currency depreciation on the prices of imported commodities and additional pass through of higher fuel prices to consumers, or otherwise, may result in a tightening of monetary policy. For instance, during fiscal 2014, in response to a rise in inflation from 9.1% in April 2013 to 11.5% in November 2013, the Reserve Bank of India

progressively raised the repo rate by 75 basis points from 7.25% to 8.0% during May 2013-January 2014. The repo rate was thereafter maintained at the 8.0% level and then gradually reduced starting January 2015, with the last reduction of 25 basis points to 6.25% in October 2016.

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

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

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

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

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

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

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

While Standard & Poor's, Moody's and Fitch currently have stable or positive outlooks on their sovereign rating for India, they may lower their sovereign ratings for India or the outlook on such ratings, which would also impact our ratings. Rating agencies may also change their methodology for rating banks which may impact us. For instance, in April 2015, Moody's revised its bank rating methodology and the assessment of government support to banks, following which the rating of several banks globally were revised, including Indian banks. The Bank's senior unsecured debt rating was downgraded by one level to Baa3 following the methodology change. Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our business and limit our access to capital markets and adversely impact our liquidity position. The methodology for rating banks also take into consideration key financial parameters of a bank like its capital position, liquidity profile, level of non-performing loans and business position in the banking industry. During incidents of challenges in the economic and operating environment for the Indian banking sector, there could be rating actions like a rating downgrade or change in the outlook of a bank by the

rating agencies. Following the significant increase in non-performing loans in the banking sector, including for us, rating agency Moody's revised the rating of a few public sector banks and the outlook for some public and private sector banks. While Moody's reaffirmed the Bank's senior unsecured debt rating at Baa3, the baseline credit assessment of the Bank was lowered from baa3 to ba1 and outlook on the Bank's senior unsecured debt was changed from positive to stable in July 2017. The rating of our foreign branches is impacted by the sovereign rating of the country in which the branch is located, particularly if the rating is below India's rating. Any revision to the sovereign rating of the countries in which we operate to below India's rating could impact the rating of our foreign branch in the jurisdiction and the bonds issued from these branches. In February 2016, Standard & Poor's placed bonds issued by the Bahrain branches of two Indian banks, including ICICI Bank, on credit watch with negative implications following its lowering of the sovereign rating of Bahrain. In June 2016, Standard & Poor's removed the ratings on the Bank's senior bonds from credit watch and maintained the existing ratings based on the execution of an irrevocable standby letter of credit guaranteeing the bonds by our branch in the Dubai International Financial Centre. See also "*—Risks Relating to Our Business—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds*".

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

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

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

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

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

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

If the current account and trade deficits increase, or are no longer manageable because of factors impacting the trade deficit like a significant rise in global crude oil prices or otherwise, the Indian economy, and therefore our business, our financial performance and the price of our equity shares and ADSs could be adversely affected. Any reduction of or increase in the volatility of capital flows may impact the Indian economy and

financial markets and increase the complexity and uncertainty in monetary policy decisions in India, leading to volatility in inflation and interest rates in India, which could also adversely impact our business, our financial performance our stockholders' equity, and the price of our equity shares and ADSs.

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

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

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

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

As a result of the challenges faced by the corporate sector, the non-performing loans and provisions of a number of Indian banks, including us, increased significantly during fiscal 2016 and fiscal 2017. Our non-performing loans and provisioning costs are expected to remain elevated in the near term. See also "*—Risks Relating to Our Business—If we are*

unable to adequately control the level of non-performing loans in our portfolio, our business will suffer” and “—Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer”.

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

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

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

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

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

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

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

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

Risks Relating to Our Business

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

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

Various factors, including a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, our regulators' assessment and review of our loan portfolio, a sharp and sustained

rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition, could cause an increase in the level of our non-performing assets and have a material adverse impact on the quality of our loan portfolio.

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

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

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

Our standard loan portfolio also includes loans to borrowers where we, alone or with other lenders, have invoked schemes permitted by the Reserve Bank of India, including strategic debt restructuring and change in management, which provide for a standstill period during which the loan continues to be classified as standard even if a default in the payment of interest or principal would otherwise have required the loan to be classified as non-performing. During the standstill period, interest on such loan is not accrued, and is recognized only if received in cash. This standstill period is intended to allow time for the change in management and resolution of the borrower. This non-accrual status for loans subject to a standstill period negatively impacts our net interest income and net interest margin. A failure to arrive at a resolution by the end of the standstill period would result in such loans being classified as non-performing. See "—Our standard loan portfolio includes loans subject to

standstill provisions in respect of asset classification". At year-end fiscal 2017, we also initiated the process of change in ownership outside the strategic debt restructuring scheme of a borrower with gross debt outstanding of approximately Rs. 51.1 billion. A failure to arrive at a satisfactory resolution of this account would adversely impact our performance.

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

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

During fiscal 2016 and fiscal 2017, the increase in additions to non-performing loans resulted in a significant increase in our provisions. It also impacted net interest margin, as we do not accrue interest on non-performing loans. In July 2017, while rating agency, Moody's, reaffirmed the Bank's senior unsecured debt rating at baa3, the baseline credit

assessment of the Bank was lowered from baa3 to ba1 and the rating outlook on the Bank's senior unsecured debt was changed from positive to stable. The high level of, and increase in, non-performing loans is expected to result in high provisions and to continue to adversely impact our net interest margin in fiscal 2018 as well. The non-accrual of income on loans subjected to restructuring or special structuring involving a standstill period under applicable regulatory guidelines also negatively impacts our net interest income and net interest margin.

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

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

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

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

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

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

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

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

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

During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, continued to remain elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash caused by the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolving stressed

assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans, including slippages from restructured loans, and provisions during fiscal 2017. Any further increases in non-performing loans and provisions may materially and adversely impact our business and future financial performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In December 2016, the Reserve Bank of India released a framework for large exposures with limits on exposure of banks to single counterparty and a group of connected counterparties. As per this framework, the sum of all the exposure values of a bank to a single counterparty must not be higher than 20% of the bank's

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

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

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

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

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

by a rise in interest rates, which adversely impacts our revenues and profits from this business. See also "*—Risks Relating to India and Other Economic and Market Risks—A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer*" and "*—Risks Relating to India and Other Economic and Market Risks—Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs*".

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

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

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

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

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

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

adjusted net bank credit. These requirements were to be met as of the last reporting Friday of the fiscal year with reference to the adjusted net bank credit of the previous fiscal year till fiscal 2016. From fiscal 2017, the requirement is assessed on a quarterly basis. These requirements apply to ICICI Bank on a standalone basis.

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