ICICI BANK LTD
Form 20-F
July 31, 2018

As filed with the Securities and Exchange Commission on July 31, 2018

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, 2018.

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, 2018 was 6,427,990,776.

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

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Certain Definitions

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

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

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

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

Pursuant to the issuance and listing of our securities in the United States under registration statements filed with the United States Securities and Exchange Commission, we file annual reports on Form 20-F which must include financial statements prepared under generally accepted accounting principles in the United States (U.S. GAAP), or financial statements prepared according to a comprehensive body of accounting principles with a reconciliation of net income and stockholders' equity to U.S. GAAP. When we first listed our securities in the United States, Indian GAAP was not considered a comprehensive body of accounting principles under the United States securities laws and regulations. Accordingly, our annual reports on Form 20-F for fiscal years 2000 through 2005 included U.S. GAAP financial statements. However, pursuant to a significant expansion of Indian accounting standards, Indian GAAP constitutes a comprehensive body of accounting principles. Accordingly, we have included in this annual report, as in the annual reports for fiscal years 2014 through 2018, 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; future levels of non-performing and restructured loans and any increased provisions and regulatory and legal changes relating to those loans; our exposure to securities of asset reconstruction companies; our ability to successfully implement our strategies, including our retail deposit growth strategy, our strategic use of technology and the internet and our strategy to reduce our net non-performing assets; the continued service of our senior management; 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 outcome of any internal or independent enquiries or regulatory or governmental investigations; 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; 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; the adequacy of our allowance for credit and investment losses; our ability to market new products; investment income; cash flow projections; 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, liquidity and reputational 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, 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 regional hostilities, terrorist attacks or social unrest, man-made or natural disasters and catastrophes, 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.

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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 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, the rupee depreciated by 0.4% against the U.S. dollar to Rs. 65.11 per US$1.00. During fiscal 2019, through June 30, 2018, the rupee depreciated by 5.1% against the U.S. dollar to Rs. 68.46 per US$1.00 mainly due to global uncertainties arising from trade related issues between key economies, rise in global oil prices and volatilities in global financial markets. 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)
2014	60.00	60.76
2015	62.31	61.34
2016	66.25	65.58
2017	64.85	66.96
2018	65.11	64.48
2019 (through June 30, 2018)	68.46	67.45

Month	High	Low
March 2017	66.83	64.85

April 2017	65.10	64.08
May 2017	64.87	64.03
June 2017	64.66	64.23
July 2017	64.84	64.11
August 2017	64.16	63.64
September 2017	65.71	63.78
October 2017	65.48	64.70
November 2017	65.46	64.29
December 2017	64.57	63.83
January 2018	64.01	63.38
February 2018	65.20	63.93
March 2018	65.24	64.83
April 2018	66.92	64.92
May 2018	68.38	66.52
June 2018	68.81	66.87

(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.

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 year-end fiscal 2018. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2018 was Rs. 65.11 per US$1.00 and at June 30, 2018 was Rs. 68.46 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, 2018, total 6,431,732,828 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 2014	Rs.J28.95	Rs.142.46	US$K.82	US$ 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
Fiscal 2018	362.30	257.85	5.56	3.96
Quarterly prices:				
Fiscal 2017:				
First Quarter	Rs.234.23	Rs.I94.95	US$K.47	US$ 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

Second Quarter	310.35	275.95	4.75	4.23
Third Quarter	325.10	257.85	5.09	4.04
Fourth Quarter	362.30	275.55	5.56	4.23
Fiscal 2019:				
First Quarter	Rs.K10.95	Rs.J68.65	US$4.54	US$K.92
Monthly prices:				
March 2017	Rs.261.14	Rs.240.91	US$L.03	US$K.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
July 2017	310.35	289.50	4.84	4.51
August 2017	302.60	286.95	4.73	4.49
September 2017	298.30	275.95	4.57	4.23
October 2017	305.70	257.85	4.72	3.98
November 2017	325.10	305.50	5.04	4.74
December 2017	318.15	299.50	4.98	4.69
January 2018	362.30	309.50	5.70	4.87
February 2018	346.20	313.25	5.31	4.80
March 2018	306.05	275.55	4.70	4.23
April 2018	291.75	268.65	4.39	4.04
May 2018	310.95	276.90	4.62	4.12
June 2018	300.65	271.40	4.39	3.96

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

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

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

At June 30, 2018, the closing price of equity shares on the National Stock Exchange of India Limited was Rs. 275.40 equivalent to US$ 4.02 per equity share (US$ 8.04 per ADS on an imputed basis) translated at the exchange rate of Rs. 68.46 per US$1.00 as set forth in the H.10 statistical release of the Federal Reserve Board on June 30, 2018.

At June 30, 2018, there were 880,309 holders of record of our equity shares, of which 1,203 had registered addresses in the United States and held an aggregate of 1,290,321 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, 2018, we had approximately 798 million ADSs, equivalent to about 1,595 million equity shares, outstanding. At June 30, 2018, there were 82,979 record holders of our ADSs, out of which 112 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 2014	US$8.80	US$4.63
Fiscal 2015	11.80	7.75
Fiscal 2016	9.95	4.71
Fiscal 2017	7.98	5.80
Fiscal 2018	11.22	7.50

Quarterly prices:		
Fiscal 2017:		
First Quarter	US$O.14	US$M.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$O.50
Second Quarter	9.72	8.46
Third Quarter	9.89	7.91
Fourth Quarter	11.22	8.55
Fiscal 2019:		
First Quarter	US$ 9.17	US$O.88
Monthly prices:		
March 2017	US$O.98	US$O.41
April 2017	8.00	7.50
May 2017	9.02	7.71
June 2017	9.17	8.78
July 2017	9.72	8.90
August 2017	9.45	8.79
September 2017	9.40	8.46
October 2017	9.15	7.91
November 2017	9.89	9.34

	Price per ADS[(1),(2)]	
	High	Low
December 2017	9.81	9.33
January 2018	11.22	9.71
February 2018	10.78	9.50
March 2018	9.45	8.55
April 2018	8.85	8.19
May 2018	9.17	8.36
June 2018	8.83	7.88

(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*".

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.

India's gross domestic product grew by 8.1% in fiscal 2016, 7.1% in fiscal 2017 and 6.7% in fiscal 2018. The agriculture sector grew by 3.4%, the industrial sector by 5.5% and the services sector by 7.9% in fiscal 2018 compared to a growth of 3.0%, 6.8% and 7.5% respectively in fiscal 2017. The agriculture sector accounted for 14.8% of gross value added, while industry and services accounted for 31.2% and 54.0%, respectively, in fiscal 2018. The slowdown in economic growth also reflected the structural reforms introduced by the Government of India, including the withdrawal of specified high denomination currency notes in November 2016 and the implementation of the Goods and Services Tax system in July 2017, both of which temporarily disrupted economic activity. 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.

Corporate investment activity has declined since fiscal 2014, after a previous cycle of sharp growth in corporate loans, including in the infrastructure and commodity sectors. The Indian economy experienced challenges in terms of high inflation and 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 macroeconomic environment and volatility in global and domestic financial markets. 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. *See also "—Risks Relating to Our Business—Our level of non-performing assets is elevated, and if the level of our non-performing assets increases further and the overall quality of our loan portfolio continues to deteriorate, our business will suffer".* 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 lower than projected cash flows, the progress in reducing leverage in the corporate sector was slow and the additions to non-performing loans, including slippages from restructured loans increased.

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 demand conditions in the global and Indian economy and 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 to January 2014. The repo rate was thereafter maintained at 8.0% and then gradually reduced starting January 2015 with an overall reduction of 200 basis points with the last reduction to 6.00% in August 2017. In June 2018, the repo rate was raised by 25 basis points to 6.25% following concerns of inflation rising as a result of an increase in global crude oil prices and an increase in government-determined minimum support prices of food crops. 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. Global trade disputes and protectionist measures and counter-measures could impact trade and capital flows and negatively affect the Indian economy.

A continuation of the slowdown in the rate of growth in the Indian economy and adverse movements in global capital, commodity and other markets could result in further reduction of 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 prices 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 prices 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, the exit of any other country from the European Union, recessionary economic conditions as well as concerns related to the impact of tightening monetary policy in the U.S. and a trade war between large economies 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 prices of our equity shares and ADSs.

While Standard & Poor’s, Moody’s and Fitch currently have stable outlooks on their sovereign ratings 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 takes into consideration key financial parameters like 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 such as 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 Indian 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 the 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 around 1.0% of our total borrowings at year-end fiscal 2018. 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 renegotiate 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, with crude oil comprising around 24% of total imports in fiscal 2018. 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 prices of petroleum products. The increase in global crude oil prices in fiscal 2018 and continuing into fiscal 2019, has led to an increase in India's trade and current account deficits and has also impacted inflation levels and currency exchange rates. A further 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. A prolonged period of elevated global crude oil prices could also 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 prices 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 prices 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 had

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. In fiscal 2018, the current account deficit increased to 1.9% of India's gross domestic product following the increase in global prices of crude oil and other commodities, combined with the growth in non-oil imports. Rising 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. In fiscal 2018, while concerns of India's current account deficit increased following the sharp rise in global commodity prices, the increase was offset by the strong inflow of foreign portfolio investments during the year along with a stable exchange rate and an increase in foreign exchange reserves. More recently, however, during the three months ended June 30, 2018 there has been an increase in risk aversion driven by a further rise in crude oil prices and the possibility of a trade war between large economies, which has led to a decline in the exchange rate against the U.S. dollar and outflows in the capital account.

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 depreciated 30.4% against the U.S. dollar. In fiscal 2017, the rupee appreciated by about 2.1% against the U.S. dollar followed by a depreciation of 0.4% in fiscal 2018.

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 prices 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 prices 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 prices 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 prices of our equity shares and ADSs.

We were declared a systemically important bank in India by the Reserve Bank of India in August 2015, which has continued to categorize us as a systemically important bank in India in subsequent years. *See also* "*Overview of the Indian Financial Sector*". We are not treated as a globally systemically important bank, either by the FSB or the Reserve Bank of India. As a 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. *See also "—Risks Relating to Our Business—There is operational risk associated with the financial industry which, when realized, may have an adverse impact on our business"*.

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 instance, 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.

We could also face risks from the inability of Indian banks in general to resolve non-performing loans and take timely decisions, particularly in the case of borrowers that may have taken loans from multiple banks. The Reserve Bank of India is addressing credit and concentration risks through measures like limiting the banking system's exposure to large borrowers, enabling a comprehensive assessment of leverage by requiring all exposures to borrowers above a specified threshold to be reported by banks into a common database, and guidelines for identifying stress in borrower accounts at an early stage and implementing a resolution plan for any overdue account within specified timelines. While these steps will reduce potential problems in borrower accounts and improve credit decisions among banks, there can be no assurance that in the event of stress, banks will be able to take timely decisions and agree on a resolution plan within prescribed timelines and avoid referral of these accounts under the Insolvency and Bankruptcy Code, which could significantly reduce the value of these assets and recovery for banks. *See also "—Risks Relating to Our Business—Our level of non-performing assets is elevated, and if the level of our non-performing assets increases further and the overall quality of our loan portfolio continues to deteriorate, 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 prices 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 14.8% of India's gross value added in fiscal 2018. 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 prices 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 prices 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 system, 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 of India that could impact our business and financial performance. For instance, 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. There was also a surge in low cost deposits resulting in a significant increase in liquidity in the banking system and a reduction in cost of funds. During fiscal 2018, the Reserve Bank of India identified specific accounts and required banks to either commence proceedings under the Insolvency and Bankruptcy Code or finalise resolution plans within specified timelines and also required banks to make higher provisions for these accounts. A new framework for the resolution of stressed assets was also introduced during the year, withdrawing existing resolution schemes and resulting in classification of majority of loans under these schemes as non-performing in fiscal 2018. Any changes in regulations or 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 prices 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 prices 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 neighboring countries. India has also experienced terrorist attacks in some parts of the country, including in Mumbai, where our headquarters are located. India could also be impacted by trade wars between large economies, like the U.S. recently increasing trade tariffs on goods imported from China, or possible import restrictions on Indian goods by trading partners, that could have an adverse impact on India's trade and capital flows, exchange rate and macroeconomic stability. In addition, geo-political events in the Middle East, Asia 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 prices of our equity shares and ADSs.

Uncertainty about the future of LIBOR may adversely affect our business.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans or other financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and other interest rates. In the event that a published LIBOR rate is unavailable after 2021, the value of such securities, loans or other financial arrangements may be adversely affected, and, to the extent that we are the issuer of or obligor under any such instruments or arrangements, our cost thereunder may increase. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, investment and trading securities portfolios and business, is uncertain.

Risks Relating to Our Business

Our level of non-performing assets is elevated, and if the level of our non-performing assets increases further and the overall quality of our loan portfolio continues to deteriorate, our business will suffer.

As a result of widespread economic challenges faced by the Indian economy in general and the corporate sector in particular, as well as changes to Reserve Bank of India policies and guidelines related to non-performing and restructured loans and other changes to the law affecting non-performing and restructured loans, the non-performing loans and provisions of a number of Indian banks, including us, increased significantly in fiscal 2016, fiscal 2017 and fiscal 2018. Additional adverse economic, regulatory and legal developments could cause further increases in the level of our non-performing assets and adversely impact the quality of our loan portfolio. If the level of our non-performing assets increases further and the overall quality of our loan portfolio deteriorates, 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, and our reputation, our business, our future financial performance and the prices of our equity shares and ADSs could be adversely impacted.

The Indian economy experienced challenges in recent years that, together with other economic developments, led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including for us, and a substantial moderation in overall loan growth. *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"*. In addition to Indian economic challenges, regulatory and legal changes in India have also contributed to increases in non-performing assets and provisions. *See also "—Risks Relating to India and Other Economic and Market Risks—A significant change in the Indian government's policies could adversely affect our business and the prices of our equity shares and ADSs"*.

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As a result of the challenges faced by the Indian economy, including the Indian corporate sector, and the regulatory and legal developments affecting non-performing assets, Indian banks, including us, experienced a substantial increase in the level of additions to non-performing loans during the second half of fiscal 2016. The increases to non-performing loans continued during fiscal 2017 and fiscal 2018, with our gross non-performing assets increasing significantly from Rs. 458.9 billion at year-end fiscal 2017 to Rs. 575.3 billion at year-end fiscal 2018. The non-fund based facilities (e.g., the undrawn portion of committed facilities) outstanding to borrowers classified as non-performing were Rs. 29.8 billion at March 31, 2018. Our provisions for non-performing assets including restructuring related provisions continued to be high in fiscal 2018, primarily due to higher additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, provision on certain cases referred to National Company Law Tribunal under the provisions of Insolvency and Bankruptcy Code and provisions on loans classified as non-performing in earlier years. Our provisions on standard assets increased from a write-back of Rs. 3.7 billion in fiscal 2017 to a provision of Rs. 3.0 billion in fiscal 2018, primarily due to provisions made on certain identified stressed sectors as per the Reserve Bank of India guidelines and increase in the loan portfolio. Our consolidated net loans to accounts internally rated below investment grade (including net non-performing and restructured loans) were Rs. 517.23 billion at March 31, 2018.

Our levels of non-performing loans are expected to remain elevated in the near term. Additional adverse economic, regulatory and legal developments—including regulatory and legal changes affecting our loan portfolio, downgrades of restructured loans into non-performing status, and challenging economic conditions affecting our project finance loan portfolio or other key sectors—could cause further increases in the level of our non-performing assets and have a material adverse impact on the quality of our loan portfolio.

See also "—If regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our business will suffer", "—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 loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks" and"—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 prices of our equity shares and ADSs could be adversely affected".

If regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our business will suffer.

If regulators, including the Reserve Bank of India, continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, the level of non-performing loans could increase, the overall quality of our loan portfolio could deteriorate.

Banks in India are required to make provisions for all their loans in accordance with guidelines issued by the Reserve Bank of India, which prescribe 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 provide for non-performing corporate loans in line with the Reserve Bank of India guidelines. 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 four years, which has resulted in an increase in our loans classified as non-performing and an increase in provisions. Nevertheless, these provisions 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, the Reserve Bank of India's annual supervisory process may assess higher provisions than we have made.

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 comprised cases that were not yet restructured or classified as non-performing but which exhibited early signs of stress, as determined by various parameters. Banks were 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 could result in accelerated provisioning for such cases and could materially and adversely impact our business and future financial performance. From April 1, 2015 onwards, loans that were restructured (other than due to a delay in project implementation up to specified periods) have to be classified as non-performing assets. Loans to projects under implementation that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in classification as non-performing assets, subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India.

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 for the banking system, including us, during the second half of fiscal 2016.

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 assesses through the Reserve Bank of India's annual supervisory process. The disclosure is required if either the additional provisioning requirement assessed by the Reserve Bank of India exceeds 15.0% of the published net profits after tax for the period, or the additional gross non-performing assets identified by the Reserve Bank of India exceeds 15.0% of the published incremental gross non-performing assets for the reference period, or both. 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 were Rs. 40.3 billion higher and provisions for non-performing assets were Rs. 10.7 billion higher. After adjusting for these divergences, our net profit after tax for the year ended March 31, 2016 would have been Rs. 90.3 billion rather than Rs. 97.3 billion. For fiscal 2017, the assessment of divergence in asset classification and provisioning, conducted by the Reserve Bank of India in fiscal 2018, was lower than the prescribed thresholds and did not require any additional disclosures. For further information, see also Note 15 to Schedule 18 "*Notes Forming part of the Accounts*" to the consolidated financial statements. There can be no assurance that such disclosures will not impact us, our reputation, our business and future financial performance. There could be a possibility of the Reserve Bank of India or other regulatory bodies also taking enforcement action based on divergences in the assessment of asset classification and provisioning. 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 the Insolvency and Bankruptcy 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. In August 2017, the Reserve Bank of India identified additional accounts and directed banks to initiate insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by December 31, 2017 if a resolution plan where the residual debt was rated investment grade by two external credit rating agencies was not implemented by December 13, 2017. Given that the process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving, with periodic amendments being incorporated into the framework as well as litigation and judicial decisions impacting the framework, there is uncertainty regarding the impact of resolution of these borrowers and whether such resolution will be achieved, which may result in higher provisions and credit losses. 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 August 2017, the Securities and Exchange Board of India issued a circular requiring listed companies to disclose to the stock exchanges, within one working day, any event of default in payment of interest on installment obligations on debt securities including commercial papers, medium term notes, loans from the banks and financial institutions, external commercial borrowing and other forms of debt. The circular was to be effective from October 1, 2017, but has been deferred.

In February 2018, the Reserve Bank of India issued directions and guidelines aimed at time-bound resolution of non-performing and stressed borrowers, withdrawal of earlier resolution schemes and commencement of proceedings under the Insolvency and Bankruptcy Code in respect of borrowers where a resolution satisfying specified criteria could not be achieved within a prescribed timeframe. Apart from the withdrawal of earlier resolution mechanisms, the guidelines have also withdrawn the Joint Lenders' Forum, a committee formed by banks to explore options for resolution. The guidelines withdrew the standstill benefit for classification of borrower accounts and resulted in banks, including us, classifying assets under the resolution schemes of the Reserve Bank of India as non-performing on an accelerated basis. The impact of these measures on the corporate and banking sectors is uncertain.

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 March 31, 2018, our restructured standard loans were Rs. 18.6 billion. We had experienced a significant increase in the amount of standard restructured loans that were re-categorized to the non-performing category till fiscal 2016. 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 and further to Rs. 22.8 billion in fiscal 2018. 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 could result 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 prices and exchange rates, rise in interest rates, inflation and distress in certain sectors, in addition to regulatory change.

See also "*—If regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our business will suffer" and "Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets— Asset Classification—Restructured loans*".

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

The quality of our project finance 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 March 31, 2015, 5.6% at March 31, 2016, 5.8% at March 31, 2017 and 4.8% at March 31, 2018. Power projects face a variety of risks, including access to fuel such as coal and gas, volatility in pricing of power and off-take of the power produced. 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. 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. For instance, 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 such or any other measures will continue to be introduced by the government in the future. 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 prices 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 prices 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 54.0% of our gross loans and advances at March 31, 2018. Our loans and advances to the services-finance sector were 5.8%, to the power sector were 4.8%, to the non-finance services sector were 3.9%, to the infrastructure sector (excluding power) were 3.7% and to the iron and steel sector were 3.6% of our gross loans and advances at March 31, 2018.

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 March 31, 2018, ICICI Bank's exposures (including outstanding unfunded commitments) to companies internally rated below investment grade (excluding accounts classified as non-performing or restructured) were Rs. 30.3 billion (0.3% of the Bank's total exposure) to iron and steel, Rs. 12.1 billion (0.1%) to power, Rs. 4.5 billion to mining and Rs. 0.4 billion to cement and rigs. Our consolidated net loans to accounts internally rated below investment grade (including net non-performing and restructured loans) were Rs. 517.2 billion at March 31, 2018.

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 March 31, 2018, our largest non-bank borrower accounted for approximately 11.7% of our capital

funds. The largest group of companies under the same management control accounted for approximately 22.9% of our capital funds. At March 31, 2018, the Bank's exposure to its 20 largest borrowers (including banks) was approximately 13.9% of our total exposure, and our credit exposure to our 20 largest borrowers (including banks) was approximately 14.1% of the Bank's total credit exposure.

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 exposure norms currently 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 that large borrowers should reduce reliance on banks for their additional funding and access market borrowings and other funding sources. The exposure of the banking system to large borrowers would attract higher risk weights and provisioning. Borrowers to be considered for this purpose would be those having an aggregate fund-based credit limit of Rs. 250.0 billion at any time during fiscal 2018. This will be gradually reduced to Rs. 150.0 billion in fiscal 2019 and to Rs. 100.0 billion from fiscal 2020 onwards. Bank lending in excess of 50.0% of the incremental funds raised by these borrowers attracts higher risk weights and provisioning from April 1, 2018. 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 growing the retail portfolio with a focus on enhancing the customer franchise and lending to higher rated, well-established corporates. The Bank will remain cautious in lending to projects under implementation. *See also "Business—Strategy"*. We have been focusing on resolution of exposures and 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 exposure to the securities of asset reconstruction companies could generally affect our business, financial condition and results of operations.

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% was 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.

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

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

In India, foreclosure on collateral consisting of property can be undertaken directly by lenders by fulfilling certain procedures and requirements (unless challenged in courts of law) or otherwise by a written petition to an Indian court or tribunal. An application, when made (or a legal challenge to the foreclosure undertaken directly), may be subject to delays or administrative requirements that may result in, or be accompanied by, a decrease in the value of collateral. These delays can last for several years and might lead to deterioration in the physical condition or market value of the collateral. In the event a corporate borrower is in financial difficulty and unable to sustain itself, it may opt for the process of voluntary winding up. If a company becomes a "sick unit" (as defined under Indian law, which provides for a unit to be so categorized based on the extent of its accumulated losses relative to its stockholders' equity), foreclosure and enforceability of collateral is stayed. In some cases, we may repossess collateral in lieu of principal and interest dues but may experience delays in liquidating the collateral. The Insolvency and Bankruptcy Code enacted in 2016 provides for a time-bound mechanism to resolve stressed assets. Further, the new framework for resolution of stressed assets introduced in February 2018 by the Reserve Bank of India requires banks to implement a plan to resolve within 180 days any overdue account where aggregate exposure of the lenders is Rs. 20.0 billion or more, failing which the borrower would have to be referred for resolution under the Insolvency and Bankruptcy Code. The process of resolution of

accounts referred under the Insolvency and Bankruptcy Code is still evolving, with periodic amendments being incorporated in the framework through both legislation and judicial decisions. This could delay the resolution of accounts referred. Should the resolution of accounts not be achieved, the borrowers will go into liquidation, and the market value of the collateral may come down thus impacting the recovery of dues by lenders.

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

The exposures of our international branches and subsidiaries 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*".

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 current Reserve Bank of India guidelines, are classified as non-performing to the extent of the amount of outstanding loan in the host country. Overseas regulators may also require higher provisions against loans held in their jurisdictions. Further, some of our branches and subsidiaries will commence preparation of financial statements under International Financial Reporting Standards, including International Financial Reporting Standard 9—Financial Instruments, or under Indian accounting standards converging with this standard, from fiscal 2019, which will impact asset classification and provisioning. 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 prices of our equity shares and ADSs.

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. During fiscal 2018, there was a sharp increase in government bond yields between January and March. Further, in April 2018, the Reserve Bank of India advised banks to create an Investment Fluctuation Reserve, equivalent to at least 2.0% of the held-for-trading and available-for-sale portfolio, on a continuing basis, from fiscal 2019. This measure is aimed at protecting banks against a sudden increase in government bond yields. The requirement to maintain a large portfolio of government securities also has 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 prices 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 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 fiscal 2018, several large banks, including us, reduced the interest rate on savings account deposits up to a specified amount following the reduction in lending rates, high systemic liquidity and subdued credit growth. At the same time, some banks continue to offer higher interest rates on savings bank accounts. During fiscal 2018, a large private sector bank introduced a new interest rate slab of 6.0% for savings account deposits where balances of Rs. 100.0 million and above were being maintained. Such revisions in deposit interest rates, or introduction of higher interest rate slabs for accounts with higher balances, by banks with whom we compete may also lead to revisions in our deposit rates to remain competitive and this could 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 led to more frequent revisions in lending rates due to the prescribed monthly review of cost of funds. During the period from November 2016 to 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 lower rates. The migration of existing loans under the earlier benchmark base rate to the marginal cost-based lending rate were also repriced at lower rates. In October 2017, the Reserve Bank of India released the report of an internal study group which has proposed a revision to the methodology for pricing of bank loans and has recommended referencing lending rates to an external benchmark and increasing the periodicity of reset of interest rates to once a quarter. Further, in February 2018, the Reserve Bank of India proposed to harmonize the methodology of determining benchmark rates by linking the base rate to the marginal cost based lending rate. *See also* "*Business—Loan Portfolio—Loan Pricing*" and "*Supervision and Regulation—Regulations Relating to Advancing Loans*". Since our funding is primarily fixed rate, volatility in benchmarks underlying loan pricing may cause volatility in or compress our net interest margin. 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. Such revisions in benchmark lending rates may impact the yield on our interest-earning assets, our net interest income and net interest margin.

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 prices 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 segments or sectors. A proportion of 8.0% of adjusted net bank credit is required to be lent to small and marginal farmers and 7.5% to micro-enterprises. 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 Reserve Bank of India has directed banks to maintain direct lending to non-corporate farmers at the banking

system's average level for the last three years and has notified a target of 11.8% of adjusted net bank credit for this purpose for fiscal 2018. Loans to identified weaker sections of society must comprise 10.0% of adjusted net bank credit. From fiscal 2017, these requirements are assessed on a quarterly average basis compared to earlier requirement of meeting as of the last reporting Friday of the fiscal year with reference to the adjusted net bank credit of the previous fiscal year.

These requirements apply to ICICI Bank on a standalone basis. Total average priority sector lending was Rs. 1,500.8 billion constituting 37.7% 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. 587.6 billion constituting 14.8% of adjusted net bank credit against the requirement of 18.0% of adjusted net bank credit. The average advances to weaker sections were Rs. 246.6 billion constituting 6.2% of adjusted net bank credit against the requirement of 10.0% of adjusted net bank credit. Average lending to small and marginal farmers was Rs. 170.7 billion constituting 4.3% of adjusted net bank credit against the requirement of 8.0% of adjusted net bank credit. The average lending to micro enterprises was Rs. 266.3 billion constituting 6.7% of adjusted net bank credit against the requirement of 7.5% of adjusted net bank credit. The average lending to non-corporate farmers was Rs. 352.0 billion constituting 8.9% of adjusted net bank credit against the requirement of 11.8% of adjusted net bank credit.

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

Any shortfall in meeting the priority sector lending requirements may be required to be invested at any time, at the Reserve Bank of India's request, in Government schemes that yield low returns, determined depending on the prevailing bank rate and on the level of shortfall, thereby impacting our profitability. The aggregate amount of funding required by such schemes is drawn from banks that have shortfalls in achievement of their priority sector lending targets, with the amounts drawn from each bank determined by the Reserve Bank of India. At March 31, 2018, our total investments in such schemes on account of past shortfalls in achieving the required level of priority sector lending were Rs. 269.3 billion. The Reserve Bank of India has issued guidelines allowing banks to include the outstanding mandated investments in Government schemes at March 31 of the fiscal year to count towards overall priority sector target achievement. Investments at March 31 of the preceding year would be included in the adjusted net bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. These changes were made effective fiscal 2014. The Reserve Bank of India has also allowed banks to sell and purchase priority sector lending certificates in the event of excess/shortfall in meeting priority sector targets, which may help in reducing the shortfall in priority sector lending. However, this would depend on the availability of such

certificates for trading. Our investments in Government schemes are expected to increase in view of the continuing shortfall in agriculture lending sub-targets and weaker section loans. *See also* "*Supervision and Regulation—Directed Lending*".

As a result of priority sector lending requirements, we may experience a higher level of non-performing assets in our directed lending portfolio, particularly due to loans to the agricultural sector and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. The Bank's gross non-performing assets in the priority sector loan portfolio were 2.1% in fiscal 2015 and 2.2% each in fiscal 2016, fiscal 2017 and fiscal 2018. In fiscal 2018 some states in India announced schemes for waiver of loans taken by farmers. While the cost of such schemes is borne by the state governments, such schemes or borrower expectations of such schemes may result in higher delinquencies in our agricultural lending portfolio. Any future changes by the Reserve Bank of India to the directed lending norms may result in our continued inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in non-performing loans.

In addition to the directed lending requirements, the Reserve Bank of India has mandated banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centers and to customers who currently do not have access to banking services. Further, since August 2014, the Indian government has launched a financial inclusion mission which involves opening a bank account for every household along with credit and insurance facilities. The expansion into these markets involves significant investments and recurring

costs. The profitability of these operations depends on our ability to generate business volumes in these centers and from these customers, and the level of non-performing loans in the portfolio of loans to such customers.

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

The branch network of ICICI Bank in India has increased from 3,100 branches at year-end fiscal 2013 to 4,867 branches at March 31, 2018. *See also* "*—We may seek opportunities for growth through acquisitions, divest our existing businesses, or be required to undertake mergers by the Reserve Bank of India and could face integration and other acquisitions risks*". We have also substantially scaled up our branch network in rural and semi-urban areas and have also established branches in villages that did not have any banking services. Our new branches typically operate at lower productivity levels, as compared to our existing branches. Our operating performance depends also on the productivity of our employees. Any inability to achieve or substantial delays in achieving desired levels of productivity would have an adverse impact on our growth and profitability and the prices of our equity shares and ADSs.

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

Banks in India are subject to the Basel III capital adequacy framework as stipulated by the Reserve Bank of India. The Basel III guidelines, among other things, establish common equity Tier 1 as a new tier of capital; impose a minimum common equity Tier 1 risk-based capital ratio of 5.5% and a minimum Tier 1 risk-based capital ratio of 7.0% while retaining the minimum total risk-based capital ratio of 9.0%; require banks to maintain a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments; establish eligibility criteria for capital instruments in each tier of regulatory capital; require more stringent adjustments to and deductions from regulatory capital; provide for more limited recognition of minority interests in the regulatory capital of a consolidated banking group; impose a 4.5% Basel III leverage ratio of Tier 1 capital to exposure during a parallel run period from 2013 to 2017; and modify the Reserve Bank of India's Basel II guidelines with respect to credit risk, including counterparty credit risk and credit risk mitigation, and market risk. The guidelines are to be fully implemented by year-end fiscal 2019. Applying the Basel III guidelines, our capital ratios on a consolidated basis at March 31, 2018 were: common equity Tier 1 risk-based capital ratio of 14.21%; Tier 1 risk-based capital ratio of 15.56%; and total risk-based capital ratio of 17.90%.

The capital regulations continue to evolve, both globally and in India. The Reserve Bank of India requires additional capital to be held by banks as a systemic buffer. For instance, in July 2014, the Reserve Bank of India issued

guidelines requiring additional common equity Tier 1 capital requirements ranging from 0.2% to 0.8% of risk-weighted assets for domestic banks that are identified as systemically important. The systemic importance of a bank would be determined based on the size, inter-connectedness, substitutability and complexity of the bank, with a larger weightage given to size. We were declared a systemically important bank in India by the Reserve Bank of India in August 2015 and in subsequent years, and were placed in the first bucket, which requires us to maintain additional common equity Tier 1 capital of 0.2% in a phased manner from April 19, 2016. Further, the Reserve Bank of India also released guidelines on implementation of counter cyclical capital buffers which propose higher capital requirements for banks, ranging from 0% to 2.5% of risk-weighted assets, during periods of high economic growth. The capital requirement would be determined based on certain triggers such as deviation of long-term average credit-to-GDP ratio and other indicators. While these guidelines are already effective, the Reserve Bank of India has stated that current economic conditions do not warrant activation of the counter cyclical capital buffer. In addition, with the approval of the Reserve Bank of India, banks in India may migrate to advanced approaches for calculating risk-based capital requirements in the medium term. The Reserve Bank of India has indicated that it would increase the risk weight on unrated exposures to corporates and infrastructure financing non-banking finance companies from 100.0% to 150.0% if the aggregate exposure of the banking system exceeds Rs. 2.0 billion. This was expected to be effective from June 30, 2017, but has been deferred and final timelines have not yet been released. In April 2018, the Reserve Bank of India advised banks to create an Investment Fluctuation Reserve from fiscal 2019 with the aim of building adequate reserves to protect against sudden increase in government bond yields. A minimum amount equal to either the net profit on sale of investments during the year or net profit for the year excluding mandatory appropriations, whichever is lower, would have to be transferred to the Investment Fluctuation Reserve and would cover at least 2.0% of the held-for-trading and available-for-sale portfolio of the bank, on a continuing basis. This reserve would be eligible for inclusion in tier 2 capital. In a draft guideline issued in June

2018, the Reserve Bank of India proposed a minimum level of loan component on fund-based working capital limits for large borrowers with the remaining to be drawn in the form of cash credit, and a mandatory credit conversion factor of 20.0% for the undrawn portion of cash credit/overdraft limits. Such regulatory changes and evolving regulations may impact the amount of capital that we are required to hold. Our ability to grow our business and execute our strategy is dependent on our level of capitalization and we typically raise resources from the capital markets to meet our capital requirements.

In December 2013, the Reserve Bank of India issued guidelines on stress testing according to which banks have to carry out stress tests for credit risk and market risk to assess their ability to withstand shocks. Banks are classified into three categories based on size of risk-weighted assets and banks with risk-weighted assets of more than Rs. 2,000.0 billion are required to carry out stress testing. The Reserve Bank of India has also issued a leverage ratio framework which is effective from April 1, 2015 and is measured as the ratio of a bank's Tier 1 capital and total exposure.

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

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

In June 2014, the Reserve Bank of India released guidelines on liquidity coverage ratio requirements under the Basel III liquidity framework. These guidelines require banks to maintain and report the Basel III liquidity coverage ratio, which is a ratio of the stock of high quality liquid assets and total net cash outflows over the next 30 calendar days. The Reserve Bank of India has also defined categories of assets qualifying as high quality liquid assets and mandated a minimum liquidity coverage ratio of 60.0% from January 1, 2015, which would be increased in a phased manner to a minimum of 100.0% from January 1, 2019. Further, the Reserve Bank of India has issued final guidelines on the net stable funding ratio for banks and would require banks to maintain sufficient funds that are considered as reliable to cover the liquidity requirements and asset maturities coming up over the next one year on an ongoing basis. However, the Reserve Bank of India has not yet indicated the date from when the guidelines on net stable funding ratio would be applicable. These requirements together with the existing liquidity and cash reserve requirements may result in Indian banks, including us, holding higher amounts of liquidity, thereby impacting profitability. Any sudden increase in the demand for liquidity by banks to meet these regulatory liquidity requirements could have an adverse impact on the financial markets, and result in a sharp increase in short term borrowing costs and a sudden increase in the cost of funding for banks, including us.

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

In addition, as we and other banks manage these various liquidity requirements, there could be a sudden increase in demand for liquidity in the banking system which could have an adverse impact in the financial markets, and result in an increase in our short term borrowing costs and a sudden increase in the bank's cost of funds. 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.

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

Our credit risk may be higher than the credit risk of banks in some developed economies. Our access to information about the credit histories of our borrowers, especially individuals and small businesses, may be limited relative to what is typically available for similar borrowers in developed economies with more established nation-wide credit bureaus. In addition, the credit risk of our borrowers is often higher than borrowers in more developed economies due to the evolving Indian regulatory, political, economic and industrial environment. The directed lending norms of the Reserve Bank of India require us to lend a certain

proportion of our loans to "priority sectors", including agriculture and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns. *See also* "*—We are subject to the directed lending requirements of the Reserve Bank of India, and any shortfall in meeting these requirements may be required to be invested in Government schemes that yield low returns, thereby impacting our profitability. We may also experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the prices of our equity shares and ADSs" and "Business—Loan Portfolio—Directed Lending*". Several of our corporate borrowers have suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices before fiscal 2018, high debt burden and high interest rates in the Indian economy, and other factors. An economic slowdown and a general decline in business activity in India could impose further stress on these borrowers' financial soundness and profitability and thus expose us to increased credit risk. For instance, developments in the Indian economy have led to a rise in non-performing and restructured assets of Indian banks, including us, since fiscal 2014. Such conditions may lead to an increase in the level of our non-performing assets and there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the prices of our equity shares and ADSs.

In addition to credit risks, we also face additional risks as compared with banks in developed economies. We pursue our banking, insurance and other activities in India in a developing economy with all of the risks that come with such an economy. Our activities in India are widespread and diverse and involve employees, contractors, counterparties and customers with widely varying levels of education, financial sophistication and wealth. Although we seek to implement policies and procedures to reduce and manage marketplace risks as well as risks within our own organization, some risks remain inherent in doing business in a large, developing country. We cannot eliminate these marketplace and operational risks, which may lead to or exacerbate legal or regulatory actions, negative publicity or other developments that could reduce our profitability. In the aftermath of the financial crisis, regulatory scrutiny of these risks is increasing. *See also "—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past", "—We are at increased risk for inquiries or investigations by regulatory and enforcement authorities, which may adversely affect our reputation, lead to increased regulatory scrutiny, cause us to incur additional costs or adversely affect our ability to conduct business" and* "*—The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss*".

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

We are subject to a wide variety of banking, insurance and financial services laws, regulations and regulatory policies and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. Since the global financial crisis, regulators in India and in the other jurisdictions in which we operate have intensified their

review, supervision and scrutiny of many financial institutions, including us. Since the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past, in a range of areas. This increased review and scrutiny or any changes in the existing regulatory supervision framework, increases the possibility that we will face adverse legal or regulatory actions. In the face of difficulties in the Indian banking sector, the Reserve Bank of India has been increasing the intensity of its scrutiny of Indian banks and has recently been imposing fines and penalties on Indian banks that are larger than the historic norms. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that all regulators will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy and management functioning, other measures of the safety and soundness of our operations or compliance with applicable laws, regulations, accounting and taxation norms, listing norms or regulatory policies. *See also* "*—If regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our business will suffer*". Regulators, including among others the Reserve Bank of India and the Securities and Exchange Board of India (SEBI), may find that we are not in compliance with applicable laws, regulations, accounting and taxation norms, listing norms or regulatory policies, or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. Such formal or informal actions might force us to make additional provisions for our non-performing assets or otherwise, divest our assets, adopt new compliance programs or policies, remove personnel including senior executives, reduce dividend or executive compensation, provide remediation or refunds to customers or

undertake other changes to our business operations. Any of these changes, if required, could reduce our profitability by restricting our operations, imposing new costs or harming our reputation. *See also* "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*" and "*Supervision and Regulation*".

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

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

The opportunities for growth in our international operations and our ability to repatriate capital from these operations may be limited by the local regulatory environments.

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

Our asset management, insurance and securities subsidiaries are subject to extensive regulation and supervision which can lead to increased costs or additional restrictions on their activities that adversely impact the Bank.

Our asset management company subsidiary, ICICI Prudential Asset Management Company, is subject to supervision and regulation by Securities and Exchange Board of India. For instance, in July 2018, our asset management company subsidiary received a letter from Securities and Exchange Board of India advising that it would be required to pay Rs. 2.4 billion, together with interest at 15% per annum, to five schemes of ICICI Prudential Mutual Fund, in connection with shares allotted to these schemes in the initial public offering of ICICI Securities Limited in March 2018. In addition, our asset management company subsidiary would be required to compensate the investors in these schemes, who have redeemed their units, for losses incurred since the March 2018 allotment, plus interest at 15% per annum. Our asset management company subsidiary is working towards closure of the matter.

In addition to oversight by the Reserve Bank of India, our insurance subsidiaries are also subject to extensive regulation and supervision by India's insurance regulators. The Insurance Regulatory and Development Authority of India has the authority to modify and interpret regulations regarding the insurance industry, including regulations governing products, selling commissions, solvency margins and reserving, which can lead to additional costs or restrictions on our insurance subsidiaries' activities. Further, our insurance subsidiaries are now publicly listed companies on the Indian stock exchanges, which has resulted in enhanced compliance requirements and regulatory oversight. There can be no assurance that increased regulatory scrutiny of our insurance subsidiaries and the stringent requirements they face, including additional disclosures, will not have a material adverse impact on the Bank.

Further, our insurance and securities broking subsidiaries are now publicly listed companies on the Indian stock exchanges, which has resulted in enhanced compliance requirements and regulatory oversight. There can be no assurance that increased regulatory scrutiny of our insurance and securities subsidiaries and stringent requirements, including additional disclosures, will not have a material adverse impact on the Bank. There could be instances where the regulator may find that we are not in compliance with applicable laws and regulations pertaining to listed companies or their relationship with the parent or other group companies, or with the regulators' interpretations of laws and regulations, and may take formal or informal actions against us and our subsidiaries.

We may be subject to fines, restrictions or other sanctions for past instances of regulatory failures, which may adversely affect our financial position or our ability to expand our activities.

Failure to comply with applicable regulations in various jurisdictions, including unauthorized actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and ensuing inquiries or investigations by regulatory and enforcement authorities, has resulted, and may result in the future, in regulatory actions, including financial penalties and restrictions on or suspension of the related business operations. Following the release on the Internet in March 2013 of videos forming part of a sting operation on banks and insurance companies in India that purported to show the Bank's frontline branch employees engaging in conversations that would violate our Group's Code of Business Conduct and Ethics and could have, if any transactions had been consummated, led to violations of anti-money laundering and 'know-your-customer' norms, the Reserve Bank of India undertook investigations at ICICI Bank and over 30 other banks in India. While the Reserve Bank of India's investigations did not reveal any prima facie evidence of money laundering, the Reserve Bank of India imposed an aggregate penalty of Rs. 665 million on 31 Indian banks, including Rs. 10 million on ICICI Bank, for instances of violation of applicable regulations, which we have paid. In February 2015, a penalty was imposed on several banks including ICICI Bank by the Financial Intelligence Unit, India for a failure to report attempted suspicious transactions, with respect to the incidents concerning the media sting operation in June 2013. The Bank was levied a penalty of Rs. 1.4 million, which was paid, and an appeal was filed against the penalty with the Appellate Tribunal. In June 2017, the Appellate Tribunal ruled that the penalty was not sustainable and asked the appellant banks to report such matters in the future. In March 2018, the Reserve Bank of India imposed a penalty of Rs. 589 million on ICICI Bank for non-compliance with directions issued by it on the sale of securities from the held-to-maturity portfolio and specified disclosure in this regard.

We are at increased risk for inquiries or investigations by regulatory and enforcement authorities, which may adversely affect our reputation, lead to increased regulatory scrutiny, cause us to incur additional costs or adversely affect our ability to conduct business.

A failure to comply with the applicable regulations in various jurisdictions by our employees, representatives, agents and third-party service providers either in or outside the course of their services, or suspected or perceived failures by them, may result in further inquiries or investigations by regulatory and enforcement authorities and in additional regulatory or enforcement action against either us, or such employees, representatives, agents and third-party service

providers. Such additional actions may further impact our reputation, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, cause us to incur additional costs, penalties, claims and expenses or impact adversely our ability to conduct business. *See also "—The Audit Committee of the Bank has instituted an independent enquiry, headed by a former Supreme Court Judge, to consider various allegations relating to the MD and CEO, Ms. Chanda Kochhar. Ms. Kochhar is on a leave of absence pending the outcome of the independent enquiry" and "—We are investigating certain allegations made in an anonymous whistleblower complaint that the Bank incorrectly classified certain assets due to claimed irregular transactions in borrower accounts, incorrectly accounted for interest income and recoveries from non-performing assets as fees, and improperly valued loan collateral*".

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

The Audit Committee of the Bank has instituted an independent enquiry, headed by a former Supreme Court Judge, to consider various allegations relating to the MD and CEO, Ms. Chanda Kochhar. Ms. Kochhar is on a leave of absence pending the outcome of the independent enquiry.

The Audit Committee of the Bank under direction given by the Board of Directors has instituted an independent enquiry, headed by a former Supreme Court Judge, Hon'ble Mr. Justice B. N. Srikrishna (Retd.), to consider various allegations relating to the MD and CEO, Ms. Chanda Kochhar. The allegations have been levelled against Ms. Kochhar through media articles, a whistleblower complaint and complaints written by a private individual to senior government officials and regulators. The allegations include nepotism, quid pro quo and claims that Ms. Kochhar, by not disclosing conflicts of interest caused by certain transactions

between certain borrowers of the Bank and entities controlled by Ms. Kochhar's spouse, committed infractions under applicable regulations and the Bank's Code of Conduct.

The independent enquiry is supported by an independent law firm and a forensic firm. The independent enquiry is under way.

In addition, SEBI issued a show-cause notice to Ms. Kochhar and to the Bank in May 2018 related to the allegations. The Bank is in the process of responding to the relevant allegations in the notice which pertain to the Bank. The Central Bureau of Investigation (CBI) also initiated a preliminary enquiry against various individuals and firms including unknown officers and/or officials of the Bank.

Ms. Kochhar is on a leave of absence while the independent enquiry takes place. In the interim, Mr. Sandeep Bakhshi has been appointed as Chief Operating Officer, subject to approval of the Reserve Bank of India, and reports directly to the Board of Directors during her absence.

These developments could materially and adversely affect our results of operations, financial condition and reputation. In the event that the Bank or individuals associated with the Bank are found by the independent enquiry, the SEBI enquiry or the CBI investigation to have violated applicable laws or regulations, the Bank or individuals associated with the Bank could become subject to legal and regulatory sanctions that may materially and adversely affect our results of operations, financial condition and reputation.

We are investigating certain allegations made in an anonymous whistleblower complaint that the Bank incorrectly classified certain assets due to claimed irregular transactions in borrower accounts, incorrectly accounted for interest income and recoveries from non-performing assets as fees, and improperly valued loan collateral.

The Bank became aware in March 2018 of an anonymous whistleblower complaint alleging incorrect asset classifications stemming from claimed irregular transactions in borrower accounts, incorrect accounting of interest income and non-performing asset recoveries as fees, and overvaluation of collateral securing corporate loans. The allegations related to fiscal 2016 and earlier. The Bank conducted an internal enquiry of these allegations under its Whistle Blower Policy, which was carried out by the Head of the Internal Audit Group and supervised directly by the Audit Committee, without the involvement of any other member of the Bank's senior management. The enquiry resulted in an Interim Report that was reviewed in detail by the Audit Committee and the statutory auditors before the finalization of the accounts for the year ended March 31, 2018 and has been submitted to the Reserve Bank of India. In certain accounts, transactions were observed that may have delayed the classification of the account as non-performing in earlier years. Further, the Bank has reviewed certain additional accounts for any similar irregular

transactions as alleged in the complaint. Based on the Interim Report and review undertaken for additional loan accounts, the Bank has concluded that the likely impact of these allegations is not material to the financial statements for the year ended March 31, 2018 or earlier periods reported in this annual report. The Bank has, since April 2016, implemented enhanced internal controls, relating to review of loan accounts which satisfy certain threshold parameters, primarily relating to size, credit rating and days-past-due, for identification of non-performing assets. The Bank also assessed and concluded that internal control over financial reporting was found to be effective as at March 31, 2018. The Bank, at the direction of the Audit Committee and with the assistance of external counsel, is continuing to investigate all of the allegations made by the whistleblower. In the event that the Bank or individuals associated with the Bank are found to have violated applicable laws or regulations, the Bank or individuals associated with the Bank could become subject to legal and regulatory sanctions that may materially and adversely affect our results of operations, financial condition and reputation.

In addition, as a large and internationally active bank with operations and listing of its equity and debt instruments in multiple jurisdictions, the Bank is regularly engaged with regulators, including the United States Securities and Exchange Commission ("SEC"), on a range of matters, including regarding the March 2018 complaint. Even before this complaint, the Bank has been responding to requests for information from the SEC investigatory staff regarding an enquiry relating to the timing and amount of the Bank's loan impairment provisions taken under U.S. GAAP. The Bank evaluates loans for impairment under U.S. GAAP for the purpose of preparing the annual footnote reconciling the Bank's Indian GAAP financial statements to U.S. GAAP. The Bank has voluntarily complied with all requests of the SEC investigatory staff for information and interviews related to the Bank's U.S. GAAP loan impairment process. In the event that the Bank is found by the SEC to have violated federal securities laws or regulations, the Bank could become subject to legal and regulatory sanctions that may materially and adversely affect our results of operations, financial condition and reputation.

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

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of their independent auditors. For instance, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally

accepted accounting principles or other information that is materially misleading. According to data published by the Reserve Bank of India, frauds reported in the Indian banking sector have shown an increasing trend in recent years, and the composition of the fraud amount reported is largely dominated by frauds related to loans and advances. In addition, our access to information about the credit histories of our borrowers, especially individuals and small businesses, may be limited, relative to what is typically available for similar borrowers in developed economies with more established nation-wide credit bureaus. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a result, our ability to effectively manage our credit risk may be adversely affected.

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

We earn commission, exchange and brokerage income from a variety of activities, including loan processing, syndication and advisory services for corporate clients with respect to their acquisition and project financing, distribution of retail investment and insurance products, transaction banking and retail credit products. Our commission, exchange and brokerage income is therefore impacted by the level of corporate activity including new financing proposals, the demand for retail financial products and the overall level of economic and trade activity. Our commission, exchange and brokerage income is also impacted by applicable regulations governing various products and segments of financial services and changes in these regulations may adversely impact our ability to grow in this area. For instance, in May 2014, the Reserve Bank of India directed banks to remove foreclosure charges on floating rate term loans given to individual borrowers and prohibited them from levying a penalty for non-maintenance of minimum balance in inoperative accounts. The securities regulator has issued regulations restricting charges that may be levied on depositary accounts. The profit on foreign exchange transactions is dependent on foreign exchange market conditions and the risk management strategies of corporate clients. Volatile market conditions may also have an adverse impact on mergers and acquisitions activity by Indian companies, affecting our fee and other incomes related to such activity. Our commission, exchange and brokerage income is also impacted by the level of corporate investment activity and new financing proposals. Such regulations could adversely impact our fee income streams in the future and adversely affect our financial performance.

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

Our international profile in multiple jurisdictions exposes us to a variety of regulatory and business challenges and risks, including cross-cultural risk and has increased the complexity of our risks in a number of areas including price risks, currency risks, interest rate risks, credit risk, compliance risk, regulatory and reputational risk and operational risk. In the aftermath of the financial crisis and in light of enhanced regulations in many countries, we expect to face additional scrutiny in all of these areas and in the management of our international operations. We also face risks arising from our ability to manage inconsistent legal and regulatory requirements in the multiple jurisdictions in which we operate. Our businesses are subject to changes in legal and regulatory requirements and it may not be possible to

predict the timing or nature of such changes. *See also "—The opportunities for growth in our international operations and our ability to repatriate capital from these operations may be limited by the local regulatory environments"*. Business opportunities in these jurisdictions will also determine the growth in our operations.

The loan portfolio of our international branches and subsidiaries 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 "—The exposures of our international branches and subsidiaries could generally affect our business, financial condition and results of operations"*. Regulatory changes globally and in specific markets, including increased regulatory oversight following the global financial crisis, may impact our ability to execute our strategy and deliver returns on capital invested in our international subsidiaries.

There could be risks arising from political changes in the jurisdictions in which we operate, such as the election by a majority of voters in the United Kingdom to withdraw from the European Union in a national referendum in June 2016. Further, recent global developments including the United Kingdom's exit from the European Union and a likely trade war by the United States with key large economies are expected to impact economic growth in Canada and the United Kingdom, which in turn could impact the business of our banking subsidiaries in these countries. *See also* "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*". Our overseas branches and banking subsidiaries undertake select local banking businesses, including lending to multinational and local corporations, small

businesses, property backed lending and insured mortgages, and in the event of these corporations being impacted by global and local economic conditions it could have an adverse impact on our business. They have also made investments in bonds, certificates of deposits, mortgage backed securities, treasury bills, credit derivatives and asset-backed commercial paper. The global financial and economic crisis resulted in mark-to-market and realized losses on our overseas and other subsidiaries' investment and derivative portfolios, increased the regulatory scrutiny of our international operations, constrained our international debt capital market borrowings and increased our cost of funding. If we are unable to manage these risks, our business would be adversely affected.

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

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of deposits including deposits from corporate customers and inter-bank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets have medium- or long-term maturities, creating the potential for funding mis-matches. For instance, our project finance loans typically have longer-term maturities compared to our funding profile. We have significantly expanded our branch network in recent years. *See also* "*Supervision and Regulation— Regulations Relating to the Opening of Branches*". Our new branches typically operate at lower efficiency levels, as compared to our existing branches, and although we intend to increase their efficiency over time, any inability to use these branches productively, or substantial delays in achieving desired levels of productivity, may have an impact on our ability to grow our deposit base to the desired extent.

Negative rumors have been previously circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal withdrawal levels for a few days. Furthermore, a part of our loan and investment portfolio, consisting primarily of the loan and investment portfolios of our international branches and subsidiaries is denominated in foreign currencies, including the U.S. dollar. Our international branches are primarily funded by debt capital market issuances and syndicated/bilateral loans, while our international subsidiaries generally raise deposits in their local markets. We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amounted to approximately 1.0% of our total borrowings at year-end fiscal 2018. 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 renegotiate a new interest rate with our lenders. If we are not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan. Volatility in the international debt markets may constrain our international capital market borrowings. There can be no assurance that our international branches and subsidiaries will be able to obtain funding from the international debt markets or other sources in a timely manner on terms acceptable to them or at all. This may adversely impact our ability to replace maturing borrowings and fund new assets. In addition, borrowers who have taken foreign currency loans from us may face challenges in meeting their repayment obligations on account of market conditions and currency movements. *See also* "*—Risks Relating to India and Other Economic and Market Risks—Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the prices of our equity shares and ADSs*", "*—Risks Relating to India and Other Economic and Market Risks—Financial difficulty and other problems in the Indian*

financial system could adversely affect our business and the prices of our equity shares and ADSs" and "*—Our international operations increase the complexity of the risks that we face*".

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

The global financial crisis has led to significant and unprecedented changes in the laws, regulations and regulatory policies of India and the other jurisdictions in which we operate. Changes in laws, regulations or regulatory policies, including changes in the interpretation or application of such laws, regulations and regulatory policies, may adversely affect the products and services we offer, the value of our assets or the collateral available for our loans or our business in general. Recent regulatory changes as well as changes currently under discussion, such as changes with respect to Basel III risk-based and leverage capital requirements, Basel III liquidity requirements; restrictions on cross-border capital flows; enhanced emphasis on local lending obligations in overseas jurisdictions; changes in directed lending regulations in India; using national benchmark indices for pricing bank products; fixing the proportion of loans in working capital limits approved to corporates, changes with regard to concentration of large exposures in banks and collateral management; changes in the resolution of stressed assets; continuous licensing of universal banks; and

discussions on management compensation, board governance, consumer protection and risk management, among other areas, are expected to have an impact on our business and our future strategy. These changes could require us to reduce or increase our business in specific segments, increase competition, impact our overall growth and impact our return on capital.

Changes in laws, regulations and regulatory policies, or the interpretation or application thereof, have and we expect will continue to lead to enhanced regulatory oversight and scrutiny and increased compliance costs. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past. This increased scrutiny increases the possibility that we will face adverse legal or regulatory actions. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that any regulator will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy, management functioning or other measures of the safety and soundness of our operations. *See also* "*—If regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our business will suffer*". In addition, regulators may find that we are not in compliance with applicable laws, regulations or regulatory policies, or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. Our ability to predict future legal or regulatory changes is limited and we may face enhanced legal or regulatory burdens without advance notice. For instance, the Reserve Bank of India, in its guidelines for private sector banking licenses issued in February 2013, has mandated that banks established pursuant to the issuance of such licenses be set up under a financial holding company structure. In the future, such requirements may be extended to existing banks in India, including us. Also, the Reserve Bank of India has released a discussion paper on a new banking structure in India. *See also* "*Overview of the Indian Financial Sector—Structural Reforms*". Any such regulatory or structural changes may result in increased expenses, operational restrictions, increased competition or revisions to our business operations, which may reduce our profitability or force us to forego potentially profitable business opportunities. In April 2017, the Reserve Bank of India revised its Prompt Corrective Action framework for banks and included indicators to be tracked, like capital adequacy, asset quality, profitability and leverage, with specified risk thresholds that would result in invocation of prompt corrective action. The revised framework stipulates actions like restriction on dividend distribution/remittance of profits, restriction on branch expansion; domestic and/or overseas, higher provisions as part of the coverage regime, and restriction on management compensation and directors' fees. At year-end fiscal 2018, the Bank's financial indicators did not breach the risk thresholds prescribed by the Reserve Bank of India. There can be no assurance that we will always remain within the thresholds prescribed by the Reserve Bank of India in the future. *See also* "*—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past*".

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

Our risk management strategies may not be effective because in a difficult or less liquid market environment other market participants may be attempting to use the same or similar strategies to deal with difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market

participants. Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses or enhanced regulatory scrutiny. Severe declines in asset values, unanticipated credit events, or unforeseen circumstances that may cause previously uncorrelated factors to become correlated may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument. In addition, some derivative transactions are not cleared and settled through a central clearing house or exchange, and they may not always be confirmed or settled by counterparties on a timely basis. In these situations, we are subject to heightened credit and operational risk, and in the event of a default, we may find the contract more difficult to enforce. Further, as new and more complex derivative products are created, disputes regarding the terms or the settlement procedures of the contracts could arise, which could force us to incur unexpected costs, including transaction and legal costs, and impair our ability to manage effectively our risk exposure to these products. Many of our hedging strategies and other risk management techniques have a basis in historic market behavior, and all such strategies and techniques are based to some degree on management's subjective judgment. To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Our balance sheet growth is dependent upon economic conditions, as well as upon our ability to securitize, sell, purchase or syndicate particular loans or loan

portfolios. Our trading revenues and interest rate risk are dependent upon our ability to properly identify, and mark-to-market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses.

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

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

Reputation risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or us specifically could adversely affect our ability to keep and attract customers, and expose us to litigation and regulatory action. Negative publicity can result from our actual or alleged conduct in any number of activities, including lending practices and specific credit exposures, the level of non-performing loans, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government, regulators, investigative agencies and community organizations in response to that conduct. The media coverage and public scrutiny of our business practices, our board of directors, key management personnel, policies and actions has increased significantly over the past few months. Although we take steps to minimize reputation risk in dealing with such events, we, as a large financial services organization are inherently exposed to this risk.

We have recently experienced negative publicity with respect to the allegations levelled against Ms. Kochhar and her spouse leading up to her leave of absence and the March 2018 whistleblower compliant regarding alleged incorrect

asset classification and other allegations. *See also "—The Audit Committee of the Bank has instituted an independent enquiry, headed by a former Supreme Court Judge, to consider various allegations relating to the MD and CEO, Ms. Chanda Kochhar. Ms. Kochhar is on a leave of absence pending the outcome of the independent enquiry." and "—We are investigating certain allegations made in an anonymous whistleblower complaint that the Bank incorrectly classified certain assets due to claimed irregular transactions in borrower accounts, incorrectly accounted for interest income and recoveries from non-performing assets as fees, and improperly valued loan collateral".* We cannot be certain how these investigations will end and it is possible that the conclusions of our independent investigations plus any regulatory actions could lead to more negative publicity.

Any continued unfavorable publicity may adversely impact investor confidence and affect the prices of our equity shares and ADSs. Our subsidiaries' businesses include mutual fund, portfolio and private equity fund management, which are exposed to various risks including diminution in value of investments and inadequate liquidity of the investments. We also distribute products of our insurance, asset management and private equity subsidiaries. Investors in these funds and schemes may allege mismanagement or weak fund management as well as mis-selling and conflicts of interest which may impact our overall reputation as a financial services group and may require us to support these businesses with liquidity and may result in a reduction in business volumes and revenues from these businesses. We are also exposed to the risk of litigation by customers across our businesses.

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

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

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

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

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

As discussed above, in the past, concerns over India's current account deficit and changes in capital flows due to changes in U.S. monetary policy have caused the rupee to depreciate against the dollar. In recent months, there has been an increase in India's current account deficit and a depreciation of the rupee against the U.S. dollar. See "*—Risks relating to India and Other Economic and Market Risks—Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the prices of our equity shares and ADSs*". Some of our borrowers with foreign exchange and derivative exposures may be adversely impacted by the depreciation of the rupee. These include borrowers impacted by higher rupee denominated interest or principal

repayment on unhedged foreign currency borrowings; increases in the cost of raw material imports where there is limited ability to pass through such escalations to customers; and the escalation of project costs due to higher imported equipment costs; and borrowers that may have taken adverse positions in the foreign exchange markets. The failure of our borrowers to manage their exposures to foreign exchange and derivative risk, particularly adverse movements and volatility in foreign exchange rates, may adversely affect our borrowers and consequently the quality of our exposure to our borrowers and our business volumes and profitability.

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

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

The rapid growth of our retail loan business and our rural initiative exposes us to increased risks within India including higher levels of non-performing loans in our unsecured retail credit portfolio, increased operational risk, increased fraud risk and increased regulatory and legal risk. Since fiscal 2012 we have focused

on scaling up our retail lending volumes and since fiscal 2015, we have also seen an increase in our retail unsecured portfolio. Our net domestic retail loan portfolio grew by 20.6% in fiscal 2018 compared to an increase of 15.1% in our total domestic loan portfolio. Retail lending has been an important driver of growth for the Indian banking system as well, and in the last three years unsecured retail credit has grown at a rapid pace. Further, we are also focusing on scaling up our business and distribution network in rural areas. While we have taken measures to address the risks in these businesses, there can be no assurance that the businesses would perform according to our expectations or that there would not be any adverse developments in these businesses in the future. Our inability to manage such risks may have an adverse impact on our future business and strategy, our asset quality and profitability and the prices of our equity shares and ADSs.

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

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

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

In October 2013, the Reserve Bank of India completely deregulated branch licensing requirements and banks are permitted to open branches across Tier 1 to Tier 6 centers without the prior approval of the Reserve Bank of India, subject to them maintaining a prescribed proportion of 25% of their incremental branches in rural and semi-urban areas. Banks are also allowed to merge, close or shift a branch in metropolitan and urban centers without prior approval. *See also* "*Supervision and Regulation—Regulations Relating to the Opening of Branches*". In March 2017, the Reserve Bank of India issued revised guidelines on the rationalization of branch authorization. As per the revised guidelines, banks are permitted to open, unless otherwise specifically restricted, banking outlets in Tier 1 to Tier 6 centers without the need to obtain Reserve Bank of India's permission. The opening of banking outlets during a financial year will be subject to condition that at least 25% of the total number of banking outlets opened during a financial year should be opened in unbanked rural centers. In May 2017, the description of a branch was broadened to include all service delivery points of a bank, including branches and business correspondent outlets.

The Reserve Bank of India has also released the framework for the presence of foreign banks in India, and has proposed according treatment substantively similar to domestic banks for foreign banks, based on the principles of reciprocity and subsidiary mode of presence. In May 2014, the Reserve Bank of India released the report of the committee constituted to review the governance of boards of banks in India which, among others, has proposed several measures aimed at improving the governance, ownership and board oversight of public sector banks. Following these recommendations, the Government split the position of chairman and managing director in public sector banks such that one person is no longer permitted to hold both positions. Any changes in the banking structure in India, including the entry of new banks, greater competition between existing players and improvement in the efficiency and competitiveness of existing banks, may have an adverse impact on our

business. Due to competitive pressures, we may be unable to successfully execute our growth strategy or offer products and services at reasonable returns and this may adversely impact our business. *See also* "*Business—Competition*" and "*Overview of the Indian Financial Sector—Commercial Banks—Foreign Banks*".

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

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

The Indian financial markets have in recent years experienced, and continue to experience, changes and developments aimed at reducing the cost and improving the quality of service delivery to users of financial services. We may experience an adverse impact on the cash float and fees from our cash management business resulting from the development and increased usage of payment systems, as well as other similar structural changes. Some structural changes in banking transactions in India include free access for a customer of any bank to ATMs of all other banks with restrictions on the amount and number of transactions. Furthermore, the Reserve Bank of India, from time to time, also imposes limits on transaction charges levied by banks on customers, including those on cash and card transactions. Banks were directed to remove foreclosure charges on home loans and floating rate term loans given to individual borrowers. Banks were prohibited from levying penalty on non-operative accounts for non-maintenance of minimum balance. Such developments may adversely impact the profitability of banks, including us, by reducing float balances and fee incomes, and increasing costs. *See also* "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*". Our subsidiaries are also subject to similar risks. For instance, in the Union Budget for fiscal 2015, the Finance Minister announced an increase in the long-term capital gains tax rate on investments in debt mutual funds from 10% to 20% and also increased the minimum holding period for qualification as a long-term investment from 12 months to 36 months. Starting from April 2015, the Association of Mutual Funds of India has introduced a cap of 100 basis points on upfront commissions for all mutual fund schemes and from fiscal 2019, the government has introduced a tax on distributed income by equity oriented mutual funds at the rate of 10.0%. Further, the Reserve Bank of India has rationalized the Merchant Discount Rate for debit card transactions, effective from January 1, 2018. The guidelines replaced the earlier slab-rate based Merchant Discount Rate on transaction value to a merchant turnover based Merchant Discount Rate structure, for which merchants have been suitably categorized, and has specified a ceiling on the maximum permissible Merchant Discount Rate. These changes may have an impact on the inflows and earnings of asset management companies, including our asset management subsidiary and also affect our fee and other incomes. *See also* "*—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*".

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

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

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

The Insurance Laws (Amendment) Act, 2015, increased the foreign shareholding limit in insurance companies from 26.0% to 49.0%, subject to the companies being Indian-owned and controlled, and to regulatory approval. During fiscal 2016, we sold a 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, to financial investors, thereby reducing our share ownership in ICICI Prudential Life Insurance Company from approximately 74% to 68%. In fiscal 2017, we sold a further 12.63% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale in an initial public offering of its shares. ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and the BSE Limited on September 29, 2016. During fiscal 2019, we sold an additional 2.0% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale by promoters through stock exchange mechanism. Our current shareholding in our life insurance subsidiary stands at 52.88%. During fiscal 2016, Fairfax Financial Holdings and ICICI Bank agreed that Fairfax Financial Holdings (through its affiliate) would increase its shareholding in ICICI Lombard General Insurance Company by 9.0%. The transaction was completed in March 2016, resulting in our share ownership in ICICI Lombard General Insurance Company reducing to 63%. In September 2017, we sold 7.0% out of our shareholding in ICICI Lombard General Insurance Company Limited in an initial public offering by the Company. ICICI Lombard General Insurance Company was listed on the National Stock Exchange of India Limited and the BSE Limited in September 2017. Further, in November 2017, the Board of Directors of the Bank approved the sale of a part of our shareholding in ICICI Securities in an initial public offering. Subsequently, in March 2018, we sold 20.78% out of our shareholding in ICICI Securities in an initial public offering by the Company. ICICI Securities was listed on the National Stock Exchange of India Limited and the BSE Limited in April 2018. There is no assurance that we will be able to undertake further monetization of our investments in our subsidiaries, through public offering or otherwise, or of the level of valuation of the subsidiaries at which such monetization may take place. *See also* "*Business—Overview of Our Products and Services—Insurance*" and "*—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*".

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

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

The Indian life insurance sector has experienced significant regulatory changes in recent years. In fiscal 2011, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes

related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. As a result of these changes, the life insurance sector experienced low growth and changes in the product mix in recent years, as life insurance companies were required to modify their products and distribution strategies. While there was initially a shift in the product mix towards non-unit linked products, more recently the share of unit-linked products has increased driven by favorable cost structures of these products from a customer perspective, as well as by improved capital market conditions. The demand for these products may be influenced by any volatility or downturn in capital markets. The regulatory changes have also resulted in reduced profit margins on life insurance products. In fiscal 2015, the Insurance Laws (Amendment) Act, 2015, amended the existing statute to provide that no policy of life insurance shall be called in to question on any grounds, including misstatement of facts or fraud, at any time after three years from the date of the policy, i.e., from the date of issuance of the policy, commencement of risk, revival of the policy or the rider to the policy, whichever is later. The total premium of our life insurance subsidiary, ICICI Prudential Life Insurance Company, increased by 21.1% from Rs. 223.5 billion in fiscal 2017 to Rs. 270.7 billion in fiscal 2018. The retail renewal premium increased from Rs. 142.2 billion in fiscal 2017 to Rs. 175.0 billion in fiscal 2018 and retail new business premium increased from Rs. 70.7 billion in fiscal 2017 to Rs. 84.0 billion in fiscal 2018.

ICICI Lombard General Insurance Company’s gross direct premium income was Rs. 123.6 billion in fiscal 2018, a growth of 15.2% over fiscal 2017. ICICI Lombard General Insurance Company’s growth and profitability depend on various factors, including the proportion of certain profitable products in its portfolio, the

maintenance on its relationship with key distribution partners and reinsurers, continuation of support by the government of India of certain insurance schemes, regulatory changes, and market movements. There can be no assurance of the future rates of growth in the insurance business. While this subsidiary has been making profits since fiscal 2013, there can be no assurance of the future profitability or rates of growth in the insurance business. *See also* "*—Additional capital requirements of our insurance subsidiaries or our inability to monetize a part of our shareholding in these subsidiaries may adversely impact our business and the prices of* our equity shares and ADSs" and "*Supervision and Regulation—Regulations Governing Insurance Companies*".

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

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

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

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

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

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

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

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

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

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

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

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

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

We, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations, or operational errors, including non-compliance with internal processes, clerical or recordkeeping and reconciliation errors or errors resulting from faulty computer or telecommunications systems. We have experienced significant growth in a fast changing environment, and management as well as our regulators, are aware that this may pose significant challenges to our control framework. As a result of our internal evaluations, we and our regulators have noted certain areas where our processes and controls could be improved. Our growth, particularly in retail lending, our rural initiative, our international business and our insurance businesses, exposes us to additional operational and control risks. Regulatory scrutiny of areas related to operational risk, including internal audit information, systems and data processing is increasing. The large size of our treasury and retail operations, which use automated control and recording systems as well as manual checks and recordkeeping, exposes us to the risk of errors in control, recordkeeping and reconciliation. The increasing size of our insurance business and the complexities of the products expose us to the risk that the models set up on actuarial software to compute the actuarial liabilities and deferred acquisition cost may contain errors or may require continuous improvement over a period of time. We also outsource some functions, like collections, to other agencies. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws, employee tampering, manipulation of those systems and deficiency in access control management will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for instance, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us.

Unexpected events, such as the withdrawal of high denomination currency notes, could result in a sharp increase in our transaction volumes and increase the pressure on our systems to keep pace with regulatory changes in a short period of time, which may result in inadvertent operational errors in our branch operations and resultant regulatory action. We are further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or our vendors') business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures proves inadequate, or is circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, like all banks and insurance companies we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future that may be material in amount, and our reputation could be adversely affected by the occurrence of any such events involving our employees, customers or third parties. Our transactions with other financial institutions could also expose us to such operational risks. For instance, in February 2018, a public sector bank declared that two related borrower groups had obtained funding from other banks against credit comfort provided by the first bank, and that such credit comfort had been fraudulently provided by certain of its employees without due authorization and record keeping. While we did not have exposure to the concerned transactions, we have exposure to one of the above borrower groups, which was classified as non-performing and required to be fully provided for in the quarter ended March 31, 2018. The impact of this and similar events is uncertain and could have an adverse impact on the banking sector.

In addition, regulators or legal authorities may also hold banks, including us, liable for losses on account of customer errors such as inadvertent sharing of confidential account related information. There are inherent limitations to the effectiveness of any system especially of controls and procedures, including the possibility of human error, circumvention or overriding of the controls and procedures, in a fast changing environment or when entering new areas of business or expanding geographic reach. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. We are committed to continuing to implement and improve internal controls and our risk management processes, and this remains a key priority for us. If, however, we are unable to manage operational risk in India and in the other jurisdictions in which we operate, or if we are perceived as being unable to manage such risk, we may be subject to enhanced regulatory oversight and scrutiny. For a discussion of how operational risk is managed, *see also* "*Business—Risk Management—Operational Risk*".

We face security risks, including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure.

Our businesses rely on our secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks and in the computer and data management systems and networks of third parties. To access our products and services, our customers may use personal smartphones, tablet PCs, and other mobile devices that are beyond our control systems and subject to their own cybersecurity risks. Given our reliance and focus on technology and presence in diverse geographies, our technologies, systems, networks, and our customers' devices are subject to security risks and are susceptible to

cyber-attacks (such as, denial of service attacks, hacking, terrorist activities or identity theft) that could negatively impact the confidentiality, integrity or availability of data pertaining to us or our customers, which in turn may cause damage to our reputation and adversely impact our business and financial results. Third parties with which we do business or that facilitate our business activities could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

We, our customers, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to, and are likely to continue to be the target of, cyber-attacks. These cyber-attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, ransomware, improper access by employees or vendors, attacks on personal email of employees, ransom demands to not expose security vulnerabilities in our systems or the systems of third parties or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of ours, our employees, our customers or of third parties, damage our systems or otherwise materially disrupt our or our customers' or other third parties' network access or business operations. Like many other large global financial institutions, we have also experienced a distributed denial of services attack which was intended to disrupt customer access to our main portal. While our monitoring and mitigating controls were able to detect and effectively respond to this incident, there can be no

assurance that these security measures will be successful in the future. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

We have a governance framework in place for security and have implemented information security policies, procedures and technologies. However, considering that technology is currently in a phase of rapid evolution and that the methods used for cyber-attacks are also changing frequently or, in some cases, are not recognized until an actual attack, we may not be able to anticipate or to implement effective preventive measures against all security breaches. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks and could be held liable for any security breach or loss.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as we continue to increase our mobile-payment and other internet-based product offerings and expand our internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks and "spear phishing" attacks are becoming more sophisticated and are extremely difficult to prevent. In such an attack, an attacker will attempt to fraudulently induce colleagues, customers or other users of our systems to disclose sensitive information in order to gain access to its data or that of its clients.
Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently, may not be recognized until launched and may not be recognized until well after a breach has occurred. The risk of a security breach caused by a cyber-attack at a vendor or by unauthorized vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to our data may not be disclosed to us in a timely manner.

We also face indirect technology, cybersecurity and operational risks relating to clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis.

Any third-party technology failure, cyber-attack or other information or security breach, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our business. Cyber-attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause us serious negative consequences, including our loss of customers and business opportunities, costs associated with maintaining business relationships after an attack or breach; significant business disruption to our operations and business, misappropriation, exposure, or destruction of our confidential information, intellectual property, funds, and/or those of our customers; or damage to our or our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact our results of operations, liquidity and financial condition. Our insurance coverage may be insufficient to cover all losses.

System failures could adversely impact our business.

Given the large share of retail products and services and transaction banking services in our total business, the importance of systems technology to our business has increased significantly. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or

become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control, such as surges in customer transaction volume, utility disruptions or failures, natural disasters, diseases pandemics, events arising from political or social matters and terrorist attacks. While we have procedures to monitor for and prevent system failures, and to recover from system failures in the event they occur, there is no guarantee that these procedures will successfully prevent a system failure or allow us to recover quickly from a system failure. In the event that our data center is severely impacted, while we have a secondary disaster recovery data center, recovery of some of our systems and services may be delayed, thereby adversely impacting our operations and customer service levels. Any failure in our systems, particularly for retail products and services and transaction banking, could significantly affect our operations and the quality of our customer service and could result in enhanced regulatory scrutiny and business and financial losses that would adversely affect the prices of our equity shares and ADSs. Regulatory scrutiny in this area is increasing. *See also* "*—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past*".

Our business may be adversely affected by computer, internet and telecommunications fraud.

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing and other dishonest acts. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. Our branch network expansion, our rural initiative, our international growth and our expansion to product lines such as insurance may create additional challenges with respect to managing the risk of fraud due to increased geographical dispersion and use of intermediaries. *See also* "*Operating and Financial Review and Prospects—Provisions and Contingencies (excluding tax provisions)—Provisions for Non-performing Assets and Restructured Loans*" and "*Business—Risk Management—Operational Risk*".

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

We are regularly assessed by the government of India's tax authorities, and on account of outstanding tax demands we have included in contingent liabilities Rs. 70.7 billion in additional taxes in excess of our provisions at March 31, 2018. These additional tax demands mainly relate to income tax, service tax and sales tax/value added tax demands by the government of India's tax authorities for past years. We have appealed against each of these tax demands. The tax related inquiries are not included in contingent liabilities as we believe that such proceedings are likely to be dropped by the tax authorities or will not be upheld by judicial authorities. No provision has been made in the accounts for these contingent liabilities. The Rs. 70.7 billion included in our contingent liabilities does not include further disputed tax assessments amounting to Rs. 33.7 billion, of which Rs. 29.3 billion mainly relates to bad debts written off and

penalties levied, where the possibility of liability arising has been considered remote based on favorable Supreme Court decisions in other similar cases, and Rs. 4.4 billion relating to disallowance of taxes paid. *See also* "*Business—Legal and Regulatory Proceedings*".

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

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

We and our group companies, or our or their directors or officers, are often involved in litigations (civil and criminal) in India and in the other jurisdictions in which we operate for a variety of reasons, which generally arise because we seek to recover our dues from borrowers or because customers seek claims against us. The majority of these cases arise in the normal course of business and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance or stockholders' equity. We estimate the probability of losses that may be incurred in connection with legal and regulatory proceedings as of the date on which our unconsolidated and consolidated

financial statements are prepared. We recognize a provision when we have a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. We determine the amount of provision based on our estimate of the amount required to settle the obligation at the balance sheet date, supplemented by our experience in similar situations. We review provisions at each balance sheet date and adjust them to reflect current estimates. In cases where the available information indicates that a loss is reasonably possible but the amount of such loss cannot be reasonably estimated, we make a disclosure to this effect in the unconsolidated and consolidated financial statements. In certain instances, present and former employees have instituted legal and other proceedings against us alleging irregularities. When there is only a remote risk of loss, we do not recognize a provision nor do we include a disclosure in the unconsolidated and consolidated financial statements. *See also* "*Business—Legal and Regulatory Proceedings*". We cannot guarantee that the judgments in any of the litigation in which we are involved would be favorable to us and if our assessment of the risk changes, our view on provisions will also change.

We depend on the knowledge and skills of our senior management. Any inability to attract and retain them and other talented professionals may adversely impact our business.

Our continued success depends in part on the continued service of key members of our management team and our ability to continue to attract, train, motivate and retain highly qualified professionals. This is a key element of our strategy and we believe it to be a significant source of competitive advantage. The successful implementation of our strategy depends on the availability of skilled management, both at our head office and at each of our business units and international locations, continuity in the service of our directors, executives and senior managers, and our ability to attract and train young professionals.

The appointment of individuals in certain positions is subject to regulatory and shareholder approvals. Any stringent requirements by our regulator for appointing key members in the management may require us to reorganize our management structure and may affect our ability to identify, hire and appoint suitable professionals for various roles.

The loss of any member from our senior management, including directors and key personnel, can have a material impact on our business, our financial performance, our stockholders' equity, our ability to implement our strategy and the prices of our equity shares and ADSs. If we or one of our business units or other functions fail to staff operations appropriately, or lose one or more key senior executives or qualified young professionals and fail to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including our control and operational risks, may be adversely affected. Likewise, if we fail to attract and appropriately train, motivate and retain young professionals or other talent, our business may likewise be affected. In light of the risks related to the allegations about and the leave of absence of our MD and CEO, we may face increased risks in implementing our strategy and in attracting senior management into the top level posts.

A substantial portion of our compensation structure for middle and senior management is in the form of employee stock options, and dependent on the market price of our equity shares. Depending on market and business conditions, we may decide to reduce our employee strength in certain of our businesses. Increased competition, including the entry of new banks into an already competitive sector, may affect our ability to hire and retain qualified employees. *See also* "*Business—Employees*".

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

The financial statements and other financial information included or incorporated by reference in this annual report are based on our unconsolidated and consolidated financial statements under Indian GAAP. The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs, which is the law making authority for adoption of accounting standards in India, has notified these Ind AS for adoption. Further, the ministry has also issued a roadmap for transition to Ind AS by Indian companies in a phased manner starting from April 1, 2016. For banking companies and non-banking finance companies, the implementation of Ind AS was to begin from April 1, 2018. The Reserve Bank of India has deferred the implementation of Ind AS for banks by one year. The implementation is currently scheduled to begin from fiscal year 2020, beginning April 1, 2019. For insurance companies the implementation of Ind AS

will begin from April 1, 2020. Accordingly, while some of our group companies would report their financials as per Ind AS from April 1, 2018, ICICI Bank will report its financial statements as per Ind AS from April 1, 2019.

Ind AS 109 - Financial Instruments (Standard equivalent to International Financial Reporting Standard 9) would have a significant impact on the way financial assets and liabilities are classified and measured, resulting in volatility in profit or loss and equity. *See also* "*Operating and Financial Review and Prospects – Convergence of 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, and a reduction in capital adequacy for banks, including us.

Risks Relating to ADSs and Equity Shares

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

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

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

In fiscal 2008, we concluded a capital raising exercise comprising a public offering in India and an ADS offering aggregating Rs. 199.7 billion. We may conduct additional equity offerings to fund the growth of our business, including our international operations, our insurance business or our other subsidiaries. In addition, up to 10.0% of our

issued equity shares from time to time, may be granted in accordance with our Employee Stock Option Scheme. Any future issuance of equity shares or ADSs or exercise of employee stock options would dilute the positions of investors in equity shares and ADSs and could adversely affect the market prices of our equity shares and ADSs.

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

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

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

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

shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

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

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

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

The Life Insurance Corporation of India, the General Insurance Corporation of India and other government-owned general insurance companies, all of which are directly controlled by the Indian government, are among our principal shareholders. At June 30, 2018, the Life Insurance Corporation of India held 9.4% and the General Insurance Corporation of India and other government-owned general insurance companies held 1.7% of our outstanding equity shares. See also "*Business—Shareholding Structure and Relationship with the Government of India*". Any substantial sale of our equity shares by these or other large shareholders could adversely affect the prices of our equity shares and ADSs. The Reserve Bank of India, in exercise of powers conferred by the Banking Regulation Act has notified a ceiling on voting rights in a banking company for single shareholder of 15.0%. Deutsche Bank Trust Company Americas held approximately 24.8% of our equity shares at June 30, 2018 as depositary for ADS holders and currently votes on only 15.0% of these shares as per the ceiling notified by the Reserve Bank of India. In addition, under the terms of our deposit agreement, Deutsche Bank Trust Company Americas must vote these shares as directed by our Board of Directors. See also "*Overview of the Indian Financial Sector—Structural Reforms—Amendments to the Banking Regulation Act*".

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

The Indian securities markets are smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays

and strikes by brokers. In April 2003, the decline in the price of the equity shares of a leading Indian software company created volatility in the Indian stock markets and created temporary concerns regarding our exposure to the equity markets. On May 17, 2004, the S&P BSE Sensex fell by 565 points from 5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE Limited and the National Stock Exchange of India Limited halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. The Indian securities markets experienced rapid appreciation during fiscal 2006 but underwent a sharp correction in May 2006. The markets experienced a recovery thereafter and the S&P BSE Sensex reached an all-time high of 20,873 on January 8, 2008 but subsequently experienced a sharp correction, with the S&P BSE Sensex declining to 8,160 on March 9, 2009. In the 24 months since then, the equity markets had recovered with the S&P BSE Sensex at 19,445 at year-end fiscal 2011. However, the European debt crisis, volatile crude oil prices and concerns on growth in India caused a decline in the domestic equity markets with the S&P BSE Sensex at 17,404 at March 30, 2012. The markets have recovered subsequently and at year-end fiscal 2018 the S&P BSE Sensex was at 32,968. In recent years, there have been changes in laws and regulations regulating the taxation of dividend income, which have impacted the Indian equity capital markets. See also "*Dividends*". Similar problems or changes in the future could adversely affect the market price and liquidity of our equity shares and ADSs.

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

The Reserve Bank of India has prescribed limits on the dividend payout ratio of banks in India linked to certain parameters such as the risk-based capital ratio and net non-performing assets ratio. Under the Reserve Bank of India's Basel III guidelines, banks are subject to higher minimum capital requirements and must

maintain a capital conservation buffer above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments. Any change in restrictions on payment of dividend or capital requirements may limit our ability to pay dividends to our equity share and ADS holders.

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

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

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

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

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

Investors who purchase ADSs are required to pay for ADSs in U.S. dollars and are subject to currency fluctuation risk and convertibility risks since the equity shares underlying ADSs are quoted in rupees on the Indian stock exchanges on which they are listed. Dividends on the equity shares will also be paid in rupees and then converted into U.S. dollars for distribution to ADS investors. Investors who seek to convert the rupee proceeds of a sale of equity shares

withdrawn upon surrender of ADSs into foreign currency and repatriate the foreign currency may need to obtain the approval of the Reserve Bank of India for each such transaction. See also "*—Your ability to sell in India any equity shares withdrawn from the depositary facility, the conversion of rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required*" and "*Exchange Rates*".

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

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

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

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

Business

Overview

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India in terms of total assets on a consolidated basis at year-end fiscal 2018. Apart from banking products and services, we offer life and general insurance, asset management, securities broking and private equity products and services through our specialized subsidiaries. Our total assets at year-end fiscal 2018 were Rs. 11,242.8 billion. Our consolidated capital and reserves at year-end fiscal 2018 were Rs. 1,106.3 billion and our consolidated net profit for fiscal 2018 was Rs. 77.1 billion.

Our primary business consists of commercial banking operations for Indian corporate and retail customers. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of third party insurance and investment products. We also offer agricultural and rural banking products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, the internet, social media and mobile phones. ICICI Bank had a network of 4,867 branches and 14,367 ATMs in India at year-end fiscal 2018.

In our international banking operations, our primary focus is on offering products and services to persons of Indian origin, Indian businesses, select local businesses and multi-national corporations with a focus on trade finance and commercial banking products, insured mortgage products in our Canadian subsidiary, as well as offering deposit products to the larger community. Our overseas branches take deposits, raise borrowings and make loans to Indian companies for their overseas operations as well as for their foreign currency requirements in India, global multi-national corporations and local companies in their jurisdiction. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. At year-end fiscal 2018, we had banking subsidiaries in the United Kingdom and Canada, branches in China, Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, Qatar Finance Centre, the United States, South Africa and Bahrain and representative offices in the United Arab Emirates, Bangladesh, Malaysia and Indonesia. Our subsidiary in the United Kingdom has established a branch in each of Antwerp, Belgium and Frankfurt, Germany. Our subsidiaries in the United Kingdom and Canada and our branches in Bahrain, Dubai, Singapore and Hong Kong have the largest share of our international assets and liabilities. See also "*Risk factors— Risks Relating to Our Business—Our international operations increase the complexity of the risks that we face*".

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

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was among the leading private sector life insurance companies in India during fiscal 2018, with a market share of 11.8% in new business written (on retail weighted received premium basis) according to the Life Insurance Council. During fiscal 2017, ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and the BSE Limited, following the sale of 12.63% shareholding in the company by ICICI Bank through an offer for sale in an initial public offering by the company. ICICI Prudential Pension Funds Management Company Limited, a 100% subsidiary of ICICI Prudential Life Insurance Company, is one of the fund managers for the pension assets of Indian citizens (other than the mandated pension funds of government employees) under the National Pension System for the private sector. This pension scheme was launched by the Indian government in 2004 for all citizens on a voluntary basis, and has allowed professional fund managers to invest the scheme's funds since 2008. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during fiscal 2018, with a market share of 8.2% on a gross direct premium income basis according to the General Insurance

Council. In September 2017, ICICI Lombard General Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited following the sale of shares (including sale of 7.0% shareholding in the company by ICICI Bank) through an initial public offering. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2018 according to the Association of Mutual Funds in India. We cross-sell the products of our insurance and asset management subsidiaries and of other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities and fixed income market operations, respectively. ICICI Securities owns *icicidirect.com*, an online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc. that in turn has an operating subsidiary in the United States, ICICI Securities Inc., which is engaged in brokerage services. In March 2018, we sold 20.78% shareholding in ICICI Securities Limited through an offer for sale in an initial public offering. ICICI Securities Limited was listed on the National Stock Exchange of India Limited and BSE Limited in April 2018. Our private equity fund management subsidiary ICICI Venture Funds Management Company, manages funds that make private equity investments. In fiscal 2013, ICICI Bank, in partnership with domestic and international banks and financial institutions, launched India’s first infrastructure debt fund, India Infradebt Limited, structured as a non-banking finance company in which ICICI Bank and a wholly owned subsidiary together have a shareholding of 38.1%.

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

History

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

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

Shareholding Structure and Relationship with the Government of India

The following table sets forth, at June 30, 2018, certain information regarding the ownership of our equity shares.

	Percentage of Total Equity Shares Outstanding		Number of Equity Shares Held
Government Controlled Shareholders:			
Life Insurance Corporation of India	9.4	%	603,252,345
General Insurance Corporation of India and government-owned general insurance companies	1.7		108,499,368

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	Percentage of Total Equity Shares Outstanding	Number of Equity Shares Held
UTI and UTI Mutual Fund	1.1	69,981,166
Other government-controlled institutions, mutual funds, corporations and banks	0.2	13,369,770
Total government-controlled shareholders	12.4	795,102,649
Other Indian investors:		
Individual domestic investors[(1),(2)]	6.5	417,774,394
HDFC Trustee Co. Ltd. (Various mutual fund accounts)/HDFC Large CAP Fund	4.2	271,272,613
ICICI Prudential mutual fund (Various mutual fund accounts)	2.4	153,752,776
SBI Mutual Fund/SBI Dual Advantage Fund and other various mutual fund accounts	2.2	143,849,724
Reliance Capital Trustee CO. Ltd./Reliance ETF/Reliance Emergent India Fund (Various mutual fund accounts).	1.6	102,131,742
Aditya Birla Sun Life Trustee Pvt. Ltd.	1.5	96,735,047
Other mutual funds and banks (other than government-controlled mutual funds and banks)	4.5	289,468,035
Other Indian corporations and others	4.3	274,162,685
Investor education protection fund	0.1	4,735,293
Total other Indian investors	27.3	1,753,882,309
Total Indian investors	39.7	2,548,984,958
Foreign investors:		
Deutsche Bank Trust Company Americas, as depositary for ADS holders	24.8	1,595,123,747
Dodge and Cox International Stock Fund	6.5	416,511,276
Government of Singapore	1.5	98,976,119
Other foreign institutional investors, foreign banks, overseas corporate bodies, foreign companies, foreign nationals, foreign institutional investors and non-resident Indians[(2)]	27.5	1,772,136,728
Total foreign investors	60.3	3,882,747,870
Total	100.0 %	6,431,732,828

(1) Executive officers and directors (including non-executive directors) as a group held about 0.07% of ICICI Bank’s equity shares at June 30, 2018.

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

The holding of government-controlled shareholders was 12.4% at June 30, 2018 against 13.3% at June 30, 2017 and 13.1% at June 30, 2016. The holding of Life Insurance Corporation of India was 9.4% at June 30, 2018 against 10.4% at June 30, 2017 and 10.4% at June 30, 2016.

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

The holding of other Indian investors was 27.3% at June 30, 2018 against 26.3% at June 30, 2017 and 21.8% at June 30, 2016. The total holding of Indian investors was 39.7% at June 30, 2018 against 39.6% at June 30, 2017 and 34.9% at June 30, 2016. The holding of foreign investors was 60.3% at June 30, 2018 against

60.4% at June 30, 2017 and 65.1% at June 30, 2016. See also "*Supervision and Regulation—Ownership Restrictions*". Deutsche Bank Trust Company Americas holds the equity shares represented by 798 million American Depositary Receipts outstanding as depositary on behalf of the holders of the American Depositary Shares. The American Depositary Shares are listed on the New York Stock Exchange. The Reserve Bank of India, exercising its powers under the Banking Regulation Act has notified a ceiling of 15.0% on the voting rights of a single shareholder in a banking company. Therefore, Deutsche Bank Trust Company Americas (as depositary), which held approximately 24.8% of our equity shares at June 30, 2018 can only vote 15.0% of our equity shares. In addition, under the terms of our deposit agreement, Deutsche Bank Trust Company Americas must vote these shares as directed by our Board of Directors. Our ADS holders themselves have no voting rights unlike holders of our equity shares who have voting rights. Except as stated above, no shareholder has differential voting rights. See also "*Overview of the Indian Financial Sector—Structural Reforms— Amendments to the Banking Regulation Act*".

Strategy

In fiscal 2018, we continued to focus on our strategic priorities of improving our portfolio quality and enhancing our franchise. We maintained our focus on enhancing our retail franchise, including growing our retail loan portfolio and sustaining the proportion of current and savings accounts and retail term deposits in our domestic deposit base. We continued to build our rural and inclusive banking franchise, and focused on strengthening our insurance, asset management and securities businesses. We continued to leverage technology to improve the customer experience as well as our operating efficiency. We adopted a selective approach to lending in the corporate sector with a focus on lending to higher rated corporates. We refined and strengthened the framework for managing concentration risks in lending to the corporate sector through thresholds and limits with respect to single borrower and group exposure, with a focus on reducing concentration risks. We focused on asset resolution in identified areas though the progress was slower than expected. We maintained a strong focus on capital efficiency and unlocking value from our investments in subsidiaries. We continued to maintain a strong capital position with capital adequacy ratios significantly above the regulatory requirements.

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

Going forward, our focus will be on risk-calibrated profitable growth. Our priority will be on growing the retail portfolio with a focus on enhancing the customer franchise. We intend to leverage all of our capabilities to be the trusted partner in serving our customers and become their banker of choice. We also plan to continue to invest in

technology and preserve our digital leadership by offering best-in-class digital products to customers and automating internal processes to increase efficiency. We will focus on lending to higher rated, well-established corporations and would remain cautious in lending to projects under implementation. Our focus will be on growing our core operating profits. As a financial group with a presence across customer segments, products and geographies, we will leverage the synergy across our group companies.

Overview of Our Products and Services

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

Commercial Banking for Retail Customers

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

Retail Lending Activities

Our retail lending activities include home loans, automobile loans, commercial business loans, business banking loans (including dealer funding and small ticket loans to small businesses), personal loans, credit cards, loans against time deposits, loans against securities, loans against jewelry and retail lending in rural markets. We also fund dealers who sell automobiles and commercial vehicles. The retail portfolio increased from Rs. 2,689.6 billion constituting 50.2% of gross loans at year-end fiscal 2017 to Rs. 3,207.9 billion constituting 54.0% of gross loans at year-end fiscal 2018. This was driven primarily by growth in secured retail lending categories like mortgages and automobile loans, business banking loans and loans to rural segments. We also selectively offer unsecured products such as personal loans and credit cards to our customers. We believe that retail credit has a robust long-term growth potential due to India's favorable demographics and under-penetration of retail products in the Indian market.

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

Commercial Banking for Rural and Agricultural Customers

Our rural banking operation caters to the financial requirements of customers in rural and semi-urban locations, primarily engaged in agriculture and allied activities. We offer a comprehensive product suite covering the entire agricultural value chain including farmers, commodity traders, seed and farm input dealers and processors. Our products include working capital loans for growing crops and financing post-harvest activities, including farm equipment loans and financing against warehouse receipts and gold jewelry. We also provide consumption loans for low-income customers. We provide financing to farmers for agriculture and allied activities in the form of working capital loans through the Kisan Credit Card. Our Kisan Credit Card portfolio at year-end fiscal 2018 was Rs. 157.0 billion. In fiscal 2018, some state governments announced agriculture loan waiver schemes for farmers which resulted in non-repayment of loans by some farmers residing in those states. While the cost of such schemes is borne by the state governments, such schemes or borrowers' expectations of such schemes has resulted in higher delinquencies and has led to an increase in non-repayment in the Kisan Credit Card portfolio for banks, including us. See also *"—Loan Portfolio—Directed Lending"*.

We offer financial solutions to micro-finance institutions, self-help groups, co-operatives constituted by farmers, corporations and medium enterprises engaged in agriculture-linked businesses. Rural banking services are offered through multiple channels including branches, micro ATMs, point of sale terminals and mobile branches. We are working with telecom companies to offer mobile based banking services. Our rural customers can also avail themselves of basic banking facilities at retail outlets like grocery shops and customer service points through business correspondents. As per the requirement of the Reserve Bank of India, we have formulated a Board-approved financial inclusion plan to provide financial services to customers residing in rural and unbanked areas. From fiscal 2015, we have supported the government's financial inclusion initiative to provide a bank account to every household in unbanked areas of the country. We have enabled remittances and account based transfers, based on Aadhaar, India's unique identification number, for our customers who are beneficiaries of direct benefit transfers under the social security schemes of the government of India. During fiscal 2016, we began offering insurance and pension products to our customers. The Bank has also tied up with National Commodity and Derivatives Exchange Limited to offer loans against electronic warehouse receipts. In fiscal 2017, the Bank launched a unique mobile application, Mera iMobile, which allows users, including non-ICICI Bank customers, in rural areas to access banking services as well as information on agricultural services. This application provides around 145 services and is available in English and several Indian regional languages. New features like gold loans renewals and railway ticket bookings have been added. Rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. We continuously explore various models for operating through cost effective structures in rural locations, including technology-based channels and have opened 552 branches in villages that were previously unbanked. We have also pursued initiatives in empowering villages and in creating a digital ecosystem in line with the government's focus to

shift towards a less-cash economy. The village promotion programme encompasses digitization of transactions and commercial activities and provides credit facilities and a market linkage to help villagers earn a sustainable livelihood. During fiscal 2017, we converted 100 villages into digital villages and we continued these efforts in fiscal 2018 converting an additional 500 villages into digital villages. In aggregate at March 31, 2018, over 600 villages have been converted into digital villages. See also "*Risk Factors—Risks Relating to Our Business— Entry into new businesses or rapid growth in existing loan portfolios may expose us to increased risks that may adversely affect our business*".

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

	At March 31,				
	2016	2017	2018	2018	2018
	(Rs. in billions)			(% share)	(US$ in millions)
Home loans	Rs. 1,334.3	Rs. 1,528.4	Rs. 1,765.1	55.0 %	US$J7,110
Automobile loans	224.6	256.1	294.9	9.2	4,529
Commercial business loans	129.2	150.3	173.2	5.4	2,660
Business banking[1]	80.9	77.4	113.5	3.6	1,743
Others[2],[3]	398.8	379.9	462.3	14.4	7,100
Total secured retail finance portfolio	2,167.8	2,392.1	2,809.0	87.6 %	43,142
Personal loans	102.2	143.7	211.8	6.6	3,253
Credit card receivables	55.2	75.5	96.6	3.0	1,484
Business banking[1]	33.3	49.5	61.7	1.9	948
Others[2]	27.2	28.8	28.8	0.9	442
Total unsecured retail finance portfolio	217.9	297.5	398.9	12.4 %	6,127
Total retail finance portfolio	**Rs.2,385.7**	**Rs.2,689.6**	**Rs.3,207.9**	**100.0 %**	**US$L9,269**

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

(2) Includes rural loans and loans against securities.

(3) Includes loans against foreign currency non-resident (bank) deposits of Rs. 15.5 billion at March 31, 2018.

Our unsecured retail portfolio primarily includes personal loans and loans against credit card receivables. In fiscal 2008, following the global financial crisis leading to increase in interest rates, tightening liquidity and challenging macro-economic environment and changes in regulations pertaining to the use of recovery agents by banks, we witnessed higher than anticipated losses in the unsecured retail portfolio. We reduced incremental lending in personal loans and credit card issuances, resulting in a decline in the overall unsecured retail lending portfolio. Since fiscal 2013, we have been growing our personal loans and credit card lending portfolio, primarily by offering these products to our existing customers. During fiscal 2018, ICICI Bank's personal loan disbursements, at Rs.151.5 billion, were about 12.6% of total retail loan disbursements and the number of outstanding credit cards increased from around 4.3

million at year-end fiscal 2017 to about 5.0 million at year-end fiscal 2018. ICICI Bank's personal loans typically range from Rs. 50,000 to Rs. 4,000,000 in size with tenors of one to five years and yields ranging from 11-22%. Our personal loans portfolio increased from Rs. 143.7 billion at year-end fiscal 2017 to Rs. 211.8 billion at year-end fiscal 2018. The credit card receivables portfolio increased from Rs. 75.5 billion at year-end fiscal 2017 to Rs. 96.6 billion at year-end fiscal 2018. The proportion of unsecured retail loans in the total retail portfolio was 12.4% at year-end fiscal 2018 compared to 11.1% at year-end fiscal 2017.

We offer retail lending products primarily in India through ICICI Bank and our wholly owned subsidiary, ICICI Home Finance Company Limited. Our home loan portfolio includes both loans for the purchase and construction of homes as well as loans against property. We also provide loans to customers belonging to economically weaker sections and buying homes in the low-cost affordable housing segment. The loan amount under this segment is generally up to Rs. 3.0 million. Our policies for home loans are based on certain stipulated ratios such as the loan-to-value ratio and the ratio of fixed debt obligations to a borrower's income. In October 2015, the Reserve Bank of India revised the loan-to-value ratios for small size loans and capped the loan-to-value ratio at 90% for home loans up to Rs. 3.0 million, and at 80% for home loans between Rs. 3.0 million and Rs. 7.5 million. Loans above Rs. 7.5 million have a maximum loan-to-value ratio of 75.0%. The initial repayment term of such loans is 15 to 20 years with payments in the form of equated monthly installments. We conduct a part of our housing loan business through ICICI Home Finance Company.

Our banking subsidiary in Canada offers residential mortgages in the local market. The mortgage portfolio is insured and has federal-backed insurance. At year-end fiscal 2018, ICICI Bank Canada held total residential mortgages amounting to CAD 3,388 million (Rs. 171.6 billion) as compared to CAD 3,458 million (Rs. 168.0 billion) at year-end fiscal 2017. This includes mortgages of CAD 2,832 million (Rs. 143.5 billion) at year-end fiscal 2018 as compared to CAD 3,145 million (Rs. 152.8 billion) at year-end fiscal 2017 securitized under the Canadian National Housing Act – Mortgage Backed Securities program or through participation in the Canada Mortgage Bonds program.

Retail Deposits

Our retail deposit products include time deposits and savings account deposits. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen. We also offer corporate salary account products and current account (i.e., checking accounts for businesses) products to our small enterprise customers, who maintain balances with us. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2018, we had a debit card base in excess of 41 million cards.

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

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

Fee-Based Products and Services

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

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

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

Lending to Small and Medium Enterprises

We offer a comprehensive suite of banking products and solutions to small and medium enterprises. We also offer customized products to meet specific business requirements. We have strengthened our capabilities in assessing credit risks across various sectors that enables us to provide customized solutions based on requirements of small and medium enterprises. We also offer online end-to-end supply chain financing solutions and vendor bill discounting through funding to the channel partners of large corporate clients to meet the working capital needs of small businesses. We also have specialized teams for current accounts (i.e. checking accounts), trade finance, cash management services and door-step banking. We are also proactively reaching out to small and medium enterprises through various initiatives such as conducting knowledge sessions, the "SME toolkit" —an online business and advisory resource for small and medium enterprises; and the "Emerging India Awards" and "SME Elite 50" —a recognition platform for small and medium enterprises.

Commercial Banking for Corporate Customers

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

Corporate Loan Portfolio

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

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

From fiscal 2010, the Indian corporate sector undertook significant investments, including in the infrastructure and commodity sectors. This led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy experienced challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. The corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, including from the government, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals like clearances on environment and land permits, and judicial decisions like the deallocation of coal mines. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario and volatility in global and domestic financial markets, corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans

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

The additions to non-performing loans remained elevated during fiscal 2017 and fiscal 2018. The growth in India's gross domestic product slowed down from 8.1% in fiscal 2016 to 7.1% in fiscal 2017 and 6.7% in fiscal 2018, largely due to subdued industrial growth which moderated from 9.8% in fiscal 2016 to 6.8% in fiscal 2017 and 5.5% in fiscal 2018. The slowdown in economic growth also reflected the alignment to structural reforms introduced by the Government of India, including the withdrawal of high denomination currency notes in November 2016 and the implementation of the Goods and Services Tax system in July 2017, which temporarily disrupted economic activity. During fiscal 2018, 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 also specified higher provisions in respect of loans to these borrowers. Further, in February 2018, the Reserve Bank of India introduced a new framework for the resolution of stressed assets and withdrew the existing schemes for resolution, resulting in accelerated classification of assets under the resolution schemes of the Reserve Bank of India as non-performing. The new framework requires banks to implement a resolution plan within 180 days in respect of any overdue account where the aggregate exposure of the lenders is Rs. 20.0 billion or more, and

failing which the borrower would have to be referred for resolution under the Insolvency and Bankruptcy Code. The process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving with periodic amendments being incorporated to the framework as well as litigation and judicial decisions impacting the framework.

We have adopted a cautious approach in incremental lending by focusing on lending to higher rated corporations and adopting a revised framework for management of concentration risk. See also "*Risk Factors—Risks Relating to Our Business— Our level of non-performing assets is elevated, and if the level of non-performing assets increases further and the overall quality of our loan portfolio continues to deteriorate, our business will suffer"* and "*Business—Strategy*" and "*Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2018*".

Fee and Commission-Based Activities

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

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

We also offer commercial banking services such as cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax filing and collection services on behalf of the government of India and the governments of Indian states. At year-end fiscal 2018, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depositary banks for GDR investors) were Rs. 2,572.3 billion. As a registered depositary participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositaries operating in India, we also provide electronic depositary facilities to investors.

Corporate Deposits

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

Foreign Exchange and Derivatives

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

- *Foreign Exchange Products*

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

- *Derivatives*

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

Commercial Banking for International Customers

Our strategy for growth in international markets is based on leveraging home country links and technology for international expansion in selected international markets. Our international strategy is focused on building a retail deposit franchise in geographies where we have such licenses, making loans to global multi-national corporations, meeting the foreign currency needs of our Indian corporate clients, taking select non-India trade finance exposures, lending to corporations in the local jurisdiction. We also focus on managing risks in our international operations and pursue opportunities within a tighter risk framework. We also seek to build stable

wholesale funding sources and strong syndication capabilities to support our corporate and investment banking business, and to expand private banking operations for India-centric asset classes.

At March 31, 2018, we had subsidiaries in the United Kingdom and Canada, branches in Bahrain, Dubai International Finance Center, Hong Kong, China, Singapore, Sri Lanka, Qatar Financial Centre, South Africa and the United States and representative offices in Bangladesh, Indonesia, Malaysia and the United Arab Emirates. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany.

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

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

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

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

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

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

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

- Non-resident external savings account: Savings accounts maintained in Indian rupees.
- Non-resident ordinary savings accounts and non-resident ordinary fixed deposits.

Total assets (net of inter-office balances) of ICICI Bank's overseas branches at year-end fiscal 2018 were Rs. 931.4 billion and total advances were Rs. 644.3 billion compared to total assets of Rs. 946.3 billion and total advances of Rs. 749.9 billion at year-end fiscal 2017. Our overseas branches are primarily funded by debt capital market borrowings, syndicated/bilateral loans and borrowings from external commercial agencies. See also "*Risk Factors—Risks Relating to Our Business—Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected*".

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

At year-end fiscal 2018, ICICI Bank UK PLC had eight branches in the United Kingdom and a branch in Belgium and Germany. At year-end fiscal 2018, the total assets of ICICI Bank UK PLC were US$ 3.9 billion. ICICI Bank UK PLC incurred a net loss of US$ 26 million during fiscal 2018, compared to a net loss of US$ 16 million during fiscal 2017.

At year-end fiscal 2018, ICICI Bank Canada had eight branches and total assets of CAD 6.3 billion. ICICI Bank Canada incurred a net profit of CAD 44 million in fiscal 2018 as compared to a net loss of CAD 33 million in fiscal 2017.

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

Delivery Channels

We deliver our products and services through a variety of channels, ranging from traditional bank branches to ATMs, call centers, the Internet and mobiles. At year-end fiscal 2018, we had a network of 4,867 branches across several Indian states.

The following table sets forth the number of branches broken down by area at year-end fiscal 2018.

	At March 31, 2017			At March 31, 2018		
	Number of branches and extension counters[1]	**% of total**		**Number of branches and extension counters[1]**	**% of total**	
Metropolitan	1,440	29.7	%	1,443	29.6	%
Urban	990	20.4		991	20.4	
Semi-urban	1,444	29.8		1,449	29.8	
Rural	976	20.1		984	20.2	
Total branches and extension counters	4,850	100.0	%	4,867	100.0	%

1. Classification of branches as per population census 2011.

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our new banking outlets must be located in tier 5 and tier 6 centers defined on the basis of the population size according to the 2011 census. See also "*Supervision and Regulation—Regulations Relating to the Opening of Branches*". At year-end fiscal 2018, we were in compliance with this condition. At year-end fiscal 2018, we had 14,367 ATMs, of which 5,237 were located at our branches. We view our branch as key points of customer acquisition and service. The branch network serves as an integrated channel for deposit mobilization and selected retail asset origination.

We believe that developments in technology are changing the way customers engage with banks and meet their banking needs. We offer our products and services through a number of technology-enabled channels. We are expanding our suite of services through mobile telephones, including mobile banking applications for account access and various transactions, and a mobile wallet. Our mobile banking application, iMobile, offers more than 165 services which are available across all mobile platforms. During fiscal 2018, we enhanced the mobile banking application further by introducing 'Money Coach' an automated personal finance management and mutual fund platform that helps customers navigate their investments by building an investible corpus, creating goals and providing suggestions on how to meet their goals and investing their surplus in suggested mutual funds. Our customers can perform a wide range of transactions at our ATMs. We are also deploying automated devices, such as cash acceptance machines, at our branches to improve customer experience as well as efficiency of our operations. Our employees open new customer accounts by using tablets to capture customer information digitally. Through our website, www.icicibank.com, we offer our customers, both retail

and corporate, online access to account information, payment and fund transfer facilities and various other services including purchase of investment and insurance products. We provide telephone banking facilities through our call centers. Our customers can also access their accounts and perform transactions via social media platforms. During fiscal 2017, we introduced Chatbots, an artificial intelligence enabled chat feature to perform various banking transactions. iPal, an artificial intelligence powered virtual personal assistant was launched by us in fiscal 2018, which is available on both website and mobile application. We worked closely with the National Payments Corporation of India for the development of the Unified Payment Interface, a payment platform which allows instant fund transfer to any bank account using a virtual payment address, without requiring bank account details. The Unified Payment Interface has been promoted by us through various platforms, such as our mobile application and our digital wallet. In fiscal 2018, we entered into an arrangement as a financial partner with web-based service providers, such as cab aggregators and an online food delivery platform, for enabling digital transactions for customers through our mobile application, iMobile, and digital wallet, Pockets. We developed a mobile application for merchants in India, 'Eazypay', which allows merchants to accept payments on mobile phones through multiple modes including credit/debit cards of any bank, internet banking and our digital wallet. See also "*—Technology*".

Investment Banking

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

Treasury

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

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity, complying with the cash reserve ratio requirement and seeking to maintain the smooth functioning of all our branches. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. At year-end fiscal 2018, ICICI Bank was required to maintain the statutory liquidity ratio requirement percentage at 19.5% of its domestic net demand and time liabilities by way of approved securities such as government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of government of India

securities that we actively manage to optimize the yield and benefit from price movements. Further, as a prudent liquidity management strategy, we generally maintain excess investments in securities eligible for classification under the statutory liquidity ratio requirement. We are also required to maintain a liquidity coverage ratio, as required under Basel III, both on a standalone basis and at the consolidated group level. The minimum requirement is 90.0% since January 1, 2018 and is scheduled to increase to 100.0% from January 1, 2019. The liquidity coverage ratio requirement is met by investment in high quality liquid assets which are primarily in the form of government securities and better-rated corporate bonds. During fiscal 2018, we maintained a liquidity coverage ratio on a standalone basis and at the consolidated group level above the stipulated requirements. See also "*Supervision and Regulation—Legal Reserve Requirements*".

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

ICICI Bank's domestic investment portfolio is classified into three categories —held-to-maturity, available-for-sale and held-for-trading. Investments are classified as held-to-maturity subject to the current regulation issued by the Reserve Bank of India. Investments acquired by us with the intention to trade by taking advantage of the short-term price/interest rate movements are classified as held-for trading. The investments which do not fall in the above two categories are classified as available-for-sale. Investments under the held-for-trading

category should be sold within 90 days. Under each category the investments are classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others. Investments classified under the held-to-maturity category are not marked to market and are carried at acquisition cost, unless the acquisition cost is more than the face value, in which case the premium is amortized over the period until maturity of such securities. At year-end fiscal 2018, 74.0% of ICICI Bank's government securities portfolio was in the held-to-maturity category. Any premium over the face value of investments in government securities, classified as available-for-sale, is amortized over the period until maturity of such securities. The individual securities in the available-for-sale category are marked to market. Investments under this category are valued security-wise and depreciation/appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual securities in the held-for-trading category are accounted for in a similar manner as those in the available-for-sale category.

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

	At March 31, 2016			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 118,778	Rs. 2,201	Rs. (1,102)	Rs. 119,877
Government securities	246,801	611	(23)	247,389
Other debt securities	110,434	1,436	(662)	111,208
Total debt securities	476,013	4,248	(1,787)	478,474
Equity securities	63,841	21,587	(10,860)	74,568
Other investments[1]	23,674	2,691	(409)	25,956
Total	**Rs.M63,528**	**Rs.J8,526**	**Rs. (13,056)**	**Rs.M78,998**

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

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

Other investments(1)	68,550	13,579	(984)	81,145
Total	**Rs. 682,877**	**Rs. 52,806**	**Rs. (16,681)**	**Rs. O19,002**

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

	At March 31, 2018			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 157,992	Rs. 1,461	Rs. (1,664)	Rs. 157,789
Government securities	350,051	821	(716)	350,156
Other debt securities	193,298	115	(1,301)	192,112
Total debt securities	701,341	2,397	(3,681)	700,057
Equity securities	109,138	40,839	(18,615)	131,362
Other investments(1)	70,657	11,410	(4,568)	77,499
Total	**Rs. 881,136**	**Rs. M4,646**	**Rs. (26,864)**	**Rs. 908,918**

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

The investments in corporate debt securities increased from Rs. 73.8 billion at year-end fiscal 2017 to Rs. 158.0 billion at year-end fiscal 2018, primarily due to an increase in investment in corporate bonds and debentures by ICICI Bank. The investment in government securities increased from Rs. 287.7 billion at year-end fiscal 2017 to Rs. 350.1 billion at year-end fiscal 2018 primarily due to an increase in investment in government securities and treasury bills held by ICICI Bank and ICICI Bank UK, offset, in part, by a decrease in investment in treasury bills held by ICICI Bank Canada. Investments in other debt securities increased from Rs. 166.7 billion at year-end fiscal 2017 to Rs. 193.3 billion at year-end fiscal 2018, primarily due to an increase in investment in commercial papers and certificate of deposits, offset, in part, by a decrease in investment in pass through certificate securities, with underlying Indian receivables, by ICICI Bank. Investments in equity shares increased from Rs. 86.1 billion at year-end fiscal 2017 to Rs. 109.1 billion at year-end fiscal 2018 primarily due to an increase in the equity portfolio of ICICI Prudential Life Insurance Company, ICICI Bank and ICICI Lombard General Insurance Company. Other investments increased from Rs. 68.6 billion at year-end fiscal 2017 to Rs. 70.7 billion at year-end fiscal 2018.

Net unrealized loss on debt investments was Rs. 1.3 billion at year-end fiscal 2018 compared to net unrealized gain of Rs. 3.6 billion at year-end fiscal 2017. Net unrealized loss on corporate debt securities was Rs. 0.2 billion at year-end fiscal 2018 compared to net unrealized gain of Rs. 1.8 billion at year-end fiscal 2017. Net unrealized loss on other debt securities was Rs. 1.2 billion at year-end fiscal 2018 compared to net unrealized gain of Rs. 0.7 billion at year-end fiscal 2017. Net unrealized gain on government securities decreased from Rs. 1.1 billion at year-end fiscal 2017 to Rs. 0.1 billion at year-end fiscal 2018. The yields on the benchmark 10-year Government securities increased from 6.7% at March 31, 2017 to 7.4% at March 31, 2018. Net unrealized gain on equity securities increased from Rs. 19.9 billion at year-end fiscal 2017 to Rs. 22.2 billion at year-end fiscal 2018. The benchmark equity index, the BSE Sensex, increased by 11.3% from 29,621 at year-end fiscal 2017 to 32,969 at year-end fiscal 2018. Net unrealized gain on other investments decreased from Rs. 12.6 billion at year-end fiscal 2017 to Rs. 6.8 billion at year-end fiscal 2018 primarily due to a decrease in net unrealized gain on security receipts issued by asset reconstruction companies and net unrealized loss on preference shares in fiscal 2018 as compared to net unrealized gain in fiscal 2017.

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

	Year ended March 31,			
	2016	2017	2018	2018
	(in millions)			
Interest	Rs. 30,766	Rs. 34,736	Rs. 37,152	US$ 570
Dividend	1,180	1,416	1,322	20
Total	**Rs. K1,946**	**Rs. K6,152**	**Rs. K8,474**	**US$ M90**
Gross realized gain	8,413	14,489	41,715	US$ N40
Gross realized loss	(4,028)	(2,721)	(3,934)	(60)
Total	**Rs. L,385**	**Rs. I1,768**	**Rs. K7,781**	**US$ U580**

Interest and dividend income from our available-for-sale securities portfolio increased from Rs. 36.2 billion in fiscal 2017 to Rs. 38.5 billion in fiscal 2018. The net realized gain from our available-for-sale securities increased from Rs. 11.8 billion in fiscal 2017 to Rs. 37.8 billion in fiscal 2018 primarily due to gain of Rs. 17.1 billion on sale of equity shares of ICICI Lombard General Insurance Company Limited through its initial public offer.

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

	At March 31, 2018							
	Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions, except percentages)							
Corporate debt securities	Rs. K4,558	7.3%	Rs. 92,904	7.7%	Rs. J3,867	5.2%	Rs. N,663	9.8%
Government securities	158,964	5.6	176,703	6.9	13,605	6.5	779	7.7
Other securities	70,429	7.1	96,177	7.0	217	8.7	26,475	8.1
Total amortized cost of interest-earning securities[1]	**Rs. J63,951**	**6.2%**	**Rs. 365,784**	**7.1%**	**Rs. K7,689**	**5.7%**	**Rs. K3,917**	**8.4%**
Total fair value	**Rs. J63,937**		**Rs. 365,073**		**Rs. K7,501**		**Rs. K3,545**	

(1) Includes securities denominated in different currencies.

The amortized cost of our held-to-maturity portfolio increased from Rs. 1,223.0 billion at year-end fiscal 2017 to Rs. 1,529.4 billion at year-end fiscal 2018 primarily due to an increase in investment in government securities and corporate debt securities. Net unrealized loss on held-to-maturity portfolio was Rs. 4.3 billion at year-end fiscal 2018 compared to net unrealized gain of Rs. 34.9 billion at year-end fiscal 2017 primarily due to an increase in yield on government securities. The yield on the benchmark 10-year Government securities increased from 6.7% at March 31, 2017 to 7.4% at March 31, 2018. Interest income on held-to-maturity debt portfolio increased from Rs. 97.1 billion in fiscal 2017 to Rs. 100.5 billion in fiscal 2018 due to an increase in average investment portfolio in held-to-maturity category in fiscal 2018 as compared to fiscal 2017.

Investments in held-for-trading debt securities increased from Rs. 239.2 billion at year-end fiscal 2017 to Rs. 326.8 billion at year-end fiscal 2018 primarily due to an increase in investment in government securities, commercial papers and certificate of deposit, offset, in part, by a decrease in investment in corporate debt securities. Interest and dividend income on held-for-trading securities increased from Rs. 21.3 billion in fiscal 2017 to Rs. 22.2 billion in fiscal 2018. Net realized and unrealized loss on the held-for-trading portfolio was Rs. 1.2 billion in fiscal 2018 compared to net realized and unrealized gain of Rs. 9.1 billion in fiscal 2017 primarily due to increase in yield on government securities.

At year-end fiscal 2018, we had investments in equity shares amounting to Rs. 132.4 billion. The Reserve Bank of India restricts investments in equity securities by banks by prescribing limits linked to capital funds. See also "*Supervision and Regulation—Regulations Relating to Investments and Capital Market Exposure Limits*".

In general, we pursue a strategy of active management of our long-term equity portfolio to maximize our return on investment. To reinforce compliance with the Securities and Exchange Board of India's insider trading regulations, all dealings in our equity and debt investments in listed companies are undertaken by our treasury's equity and corporate

bonds dealing desks, which are segregated from both the other groups and desks in the treasury and from our other business groups, and which do not have access to unpublished price sensitive information about these companies that may be available to us as a lender.

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

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

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

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

	At March 31, 2017										
	Asset backed securities [1],[2]		Bonds[2],[3]		Others		Total				
	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Mark-to-market gain/ (loss) in fiscal 2017	Realized gain/(loss)/ Impairment loss in income statement for fiscal 2017	Mark-to-market gain/ (loss) at March 31, 2017
	(Rs. in millions)										
U.S.	—	—	—	762	—	—	—	762	(2)	—	(2)
Canada	—	—	—	28,268	—	—	—	28,268	(203)	450	1
Europe	—	2,782	—	1,451	—	—	—	4,233	338	0	(862)
India	—	—	—	42,500	—	—	—	42,500	(120)	(151)	(243)
Rest of Asia	—	—	—	—	—	3,306	—	3,306	(1)	—	(1)
Total portfolio	**—**	**2,782**	**—**	**72,981**	**—**	**3,306**	**—**	**79,069**	**12**	**299**	**(1,107)**

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

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

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

	At March 31, 2018										
	Asset backed securities [1],[2]		Bonds[2],[3]		Others		Total				
	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Trading	Available-for-sale and held-to-maturity	Mark-to-market gain/ (loss) in fiscal	Realized gain/(loss)/ Impairment loss in	Mark-to-market gain/ (loss) at March 31, 2018

									2018	income statement for fiscal 2018	
	(Rs. in millions)										
U.S.	—	—	—	2,284	—	—	—	2,284	(75)	12	(78)
Canada	—	—	—	28,923	—	—	—	28,923	(1)	31	—
Europe	—	3,192	—	612	—	—	—	3,804	(42)	35	(909)
India	—	—	—	35,942	—	—	—	35,942	(237)	(431)	(438)
Rest of Asia	—	—	—	323	—	4,235	—	4,558	(9)	—	(7)
Total portfolio	**—**	**3,192**	**—**	**68,084**	**—**	**4,235**	**—**	**75,511**	**(364)**	**(353)**	**(1,432)**

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

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

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

Investments in corporate and financial sector debt securities and mortgage and asset backed securities by our overseas branches and banking subsidiaries decreased from Rs.79.1 billion at year-end fiscal 2017 to Rs. 75.5 billion at year-end fiscal 2018. At year-end fiscal 2018, our investments in Europe were Rs. 3.8 billion as compared to Rs. 4.2 billion at year-end fiscal 2017. The majority of our investments in Europe are in the United Kingdom.

The mark-to-market losses on the investment portfolio of our overseas branches and subsidiaries were Rs. 1.1 billion at year-end fiscal 2017 and Rs. 1.4 billion at year-end fiscal 2018. During fiscal 2018, there was mark-to-market loss of Rs. 0.4 billion compared to gain of Rs. 0.01 billion during fiscal 2017. Net realized gain/(loss) and impairment loss was a net loss of Rs. 0.4 billion during fiscal 2018 as compared to a net gain of Rs. 0.3 billion during fiscal 2017.

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

Category	At March 31 2017	 2018
	(in millions)	
Bonds		
Banks and financial institutions	Rs. 25,086	Rs. 18,740
Corporate	47,895	49,344
Total bonds	72,981	68,084
Asset backed securities	2,782	3,192
Others[(1)]	3,306	4,235
Total	**Rs. 79,069**	**Rs. 75,511**

(1) Includes investments in certificates of deposits.

Our overseas branches and banking subsidiaries' investments in securities of banks and financial institutions are spread over a number of banks and of this the investment in the top 10 banks account for 100% of the total investments in banks and financial institutions at year-end fiscal 2018 as compared to approximately 94.6% at year-end fiscal 2017. Approximately 34.8% of our investment in securities of corporate entities was India-linked at year-end fiscal 2018 as compared to approximately 36.4% at year-end fiscal 2017.

Our overseas branches and banking subsidiaries' total investment in asset backed securities represents less than 0.5% of our total assets at year-end fiscal 2018. The portfolio size of such securities was Rs. 3.1 billion and primarily comprised retail mortgage backed securities. The retail mortgage backed securities portfolio consists primarily of UK residential mortgage backed securities backed by prime and buy-to-let mortgages.

At year-end fiscal 2018, the fair value of investments in the government securities held by our overseas branches and banking subsidiaries was Rs. 56.0 billion, which was primarily in Canada.

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

ICICI Securities Limited

ICICI Securities Limited is engaged in investment banking, broking and financial product distribution. ICICI Securities Limited has an online trading portal called icicidirect.com. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has a subsidiary in the United States, ICICI Securities Inc., which is registered as a broker dealer with the Securities and Exchange Commission. ICICI Securities Inc., which is a member of the Financial Industry Regulatory Authority in the United States; also has a branch office in Singapore that is registered with the Monetary Authority of Singapore where it holds a capital markets services license for dealing in securities in Singapore. ICICI Securities Inc. is also registered as an international dealer in Canada in the provinces of British Columbia, Ontario and Quebec. ICICI Securities Limited (consolidated) earned a net profit of Rs. 5.6 billion in fiscal 2018 compared to a net

profit of Rs. 3.4 billion in fiscal 2017. In March 2018, we sold a part of our shareholding in ICICI Securities through an offer for sale in an initial public offering of the company. ICICI Securities Limited was listed on the National Stock Exchange of India Limited and BSE Limited on April 04, 2018. After this sale, our share ownership in ICICI Securities Limited came down from 100% to approximately 79%.

ICICI Securities Primary Dealership

ICICI Securities Primary Dealership is engaged in the primary dealership of Indian government securities. It also deals in other fixed income securities. In addition to this, it has underwriting, portfolio management services and placement of debt and money market operations. ICICI Securities Primary Dealership earned a net profit of Rs. 1.1 billion in fiscal 2018 compared to a net profit of Rs. 4.1 billion in fiscal 2017. The revenues of the business are directly linked to conditions in the fixed income market.

Venture Capital and Private Equity

Our subsidiary ICICI Venture Funds Management Company Limited is a diversified specialist alternative asset manager with a presence across private equity, real estate, infrastructure and special situations. During fiscal 2018, ICICI Venture concluded five new investments involving an aggregate capital outlay of USD 254 million (including co-investments) across India Advantage Fund Series 4 and AION (a strategic partnership between ICICI Venture and Apollo Global Management in the area of special situations). ICICI Venture also concluded nine full or partial exits across various funds for an aggregate realization of USD 275 million. The final closing of the fourth private equity fund, India Advantage Fund Series 4, was concluded taking the total capital to USD 350 million (including co-investment capital). ICICI Venture also concluded the first closing of its third real estate fund, India Real Estate Investment Fund, at Rs. 3.45 billion. ICICI Venture reported a net profit of Rs. 0.11 billion in fiscal 2018 compared to a profit of Rs. 0.09 billion in fiscal 2017.

Asset Management

We provide asset management services through our subsidiary, ICICI Prudential Asset Management Company. ICICI Prudential Asset Management Company is a joint venture with Prudential PLC of the United Kingdom. We have approximately 51.0% interest in the entity. ICICI Prudential Asset Management Company also provides portfolio management services and advisory services to clients. ICICI Prudential Asset Management Company had average mutual fund assets under management of Rs. 3,057.4 billion during fiscal 2018. ICICI Prudential Asset Management Company earned a net profit of Rs. 6.3 billion during fiscal 2018 compared to a net profit of Rs. 4.8 billion in fiscal 2017.

Insurance

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

In fiscal 2015, the Indian parliament approved legislation increasing the foreign shareholding limit in the insurance sector from 26.0% to 49.0%, and removing the requirement that Indian promoters of insurance companies eventually reduce their shareholding to 26.0% following the completion of 10 years of commencement of business by the insurance company. Final regulations were issued by the government of India in fiscal 2016. Subsequently, we sold approximately 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, during fiscal 2016. In September 2016, we sold a further 12.63% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale in an initial public offering of the company's shares. ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited on September 29, 2016. In June 2018, we sold an additional 2.0% out of our shareholding in the company through an offer for sale. After these sales, our share ownership in ICICI Prudential Life Insurance Company has now decreased from approximately 74% at year-end fiscal 2015 to approximately 53% at June 30, 2018.

The Insurance Regulatory and Development Authority of India had invited six life insurance companies, including our life insurance subsidiary, to assess their interest in taking over the liabilities of policyholders along with the corresponding assets of Sahara India Life Insurance Company Limited. Our life insurance subsidiary had accordingly made a proposal and subsequently received the order from the Insurance Regulatory and

Development Authority of India to take over the life insurance portfolio of Sahara India Life Insurance Company Limited on July 28, 2017. Sahara India Life had appealed against the order and in February 2018 the Securities Appellate Tribunal dismissed the takeover order by the Insurance Regulatory and Development Authority of India.

ICICI Prudential Life Insurance Company had an overall market share of 11.8% based on retail weighted new business received premium in fiscal 2018. It also had a market share of 20.9% in the private sector based on retail weighted new business in fiscal 2018 compared to 22.3% in fiscal 2017 according to the Life Insurance Council. The total premium increased by 21.1% from Rs. 223.5 billion in fiscal 2017 to Rs. 270.7 billion in fiscal 2018. The retail renewal premium increased by 23.1% from Rs. 142.2 billion in fiscal 2017 to Rs. 175.0 billion in fiscal 2018. The retail new business premium increased from Rs. 70.7 billion in fiscal 2017 to Rs. 84.0 billion in fiscal 2018. ICICI Prudential Life Insurance Company earned a net profit of Rs. 16.2 billion during year-end fiscal 2018 compared to a net profit of Rs. 16.8 billion during year-end fiscal 2017.

In fiscal 2010, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. As a result of these changes, the life insurance sector experienced low growth and changes in the product mix in recent years, as life insurance companies were required to modify their products and distribution strategies. While there was initially a shift in the product mix towards non-unit linked products, more recently the share of unit-linked products has increased primarily due to favorable cost structures of these products from a customer perspective, as well as improved capital market conditions. Linked products contributed to 81.9% of the annualized premium equivalent of ICICI Prudential Life Insurance Company in fiscal 2018 compared to 84.1% in fiscal 2017 and 80.8% in fiscal 2016. *See also "Risk Factors—Risks Relating to Our Business—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability" and "Operating and Financial Review and Prospects—Segment Revenues and Assets—Life Insurance"*. Further, the Insurance Regulatory and Development Authority of India has issued guidelines on bancassurance (i.e., the practice of banks selling insurance products in a marketing arrangement with insurance companies). As per the guidelines, banks can partner with three insurance companies each in life, non-life and health insurance sectors.

We also sold a 9.0% stake in our general insurance company, ICICI Lombard General Insurance Company, during fiscal 2016 to our then joint venture partner, Fairfax Financial Holdings (through its affiliate). Following the transaction, the share ownership in ICICI Lombard General Insurance Company of ICICI Bank and Fairfax Financial Holdings Limited was approximately 64% and 35%, respectively. In July 2017, Fairfax Financial Holdings (through its affiliate) sold equity shares comprising 12.18% of the issued and paid-up capital of the company to three investors. In June 2017, our Board of Directors approved the sale of a part of our shareholding in ICICI Lombard General Insurance Company Limited in an initial public offering by the company, subject to requisite approvals and market conditions. On July 3, 2017 our joint venture agreement with Fairfax Financial Holdings was terminated. In September 2017, we sold a further 7% out of our shareholding and Fairfax Financial Holdings (through its affiliate) further sold 12% of its shareholding in ICICI Lombard General Insurance Company through an offer for sale in an initial public offering of the company's shares. ICICI Lombard General Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited on September 27, 2017. After this sale, our share ownership in ICICI Lombard General Insurance Company came down from approximately 63% to approximately 56%.

ICICI Lombard General Insurance Company's gross direct premium income was Rs. 123.6 billion during the year ended March 31, 2018, a growth of 15.2% compared to the previous year ended March 31, 2017. ICICI Lombard General Insurance Company was the largest private general insurer with an overall industry market share of about 8.2% in gross direct premium income amongst all general insurance companies during the year ended March 31, 2018 according to General Insurance Council of India. ICICI Lombard General Insurance Company earned a net profit of Rs. 8.6 billion in fiscal 2018 compared to a net profit of Rs. 7.0 billion in fiscal 2017.

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

Funding

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

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

mortgages. Our subsidiary in the United Kingdom funds itself through mix of retail and wholesale funding. Our subsidiary in the United Kingdom access wholesale funding primarily through bond issuances, syndicated loans from banks, money market borrowings, inter-bank bilateral loans and institutional deposits raised through its Germany branch.

Our deposits were 52.1% of our total liabilities at year-end fiscal 2018 compared to 52.0% of our total liabilities at year-end fiscal 2017. Our borrowings were 20.4% of our total liabilities at year-end fiscal 2018 compared to 19.1% of our total liabilities at year-end fiscal 2017. Our deposits increased by 14.3% from Rs. 5,125.9 billion at year-end fiscal 2017 to Rs. 5,858.0 billion at year-end fiscal 2018. Our borrowings increased by 21.8% from Rs. 1,882.9 billion at year-end fiscal 2017 to Rs. 2,294.0 billion at year-end fiscal 2018 primarily due to an increase in borrowings with the Reserve Bank of India under liquidity adjustment facility, refinance borrowings and foreign currency call money borrowings, offset, in part, by a decrease in foreign currency subordinated bond borrowings.

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

	At March 31, 2016		**2017**		**2018**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions, except percentages)					
Current account deposits	Rs.N03,389	13.4 %	Rs.O67,900	15.0 %	Rs. 913,654	15.6 %
Savings deposits	1,444,551	32.0	1,790,098	34.9	2,092,910	35.7
Time deposits	2,462,834	54.6	2,567,875	50.1	2,851,397	48.7
Total deposits	Rs.**L,510,774**	100.0%	Rs.**M,125,873**	100.0%	Rs.**M,857,961**	100.0%

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

	Year ended March 31,						
	2016		2017		2018		
	Amount	Cost(1)	Amount	Cost(1)	Amount	Amount	Cost(1)
	(in millions, except percentages)						
Interest-bearing deposits:							
Savings deposits	Rs. I,207,983	3.8 %	Rs. I,474,489	3.8 %	Rs. I,724,268	US$ J6,482	3.6 %
Time deposits	2,348,344	7.4	2,546,886	6.9	2,750,981	42,251	6.4
Non-interest-bearing deposits:							
Other demand deposits	384,167	—	476,799	—	563,057	8,648	—
Total deposits	Rs. **K,940,495**	5.6 %	Rs. **L,498,174**	5.2 %	Rs. **M,038,306**	US$ **O7,381**	4.7 %

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

Our average deposits increased from Rs. 4,498.2 billion at an average cost of 5.2% in fiscal 2017 to Rs. 5,038.3 billion at an average cost of 4.7% in fiscal 2018. Our average savings deposits increased from Rs. 1,474.5 billion at an average cost of 3.8% in fiscal 2017 to Rs. 1,724.3 billion at an average cost of 3.6% in fiscal 2018. The cost of savings deposits decreased from 3.8% in fiscal 2017 to 3.6% in fiscal 2018 primarily due to a reduction of savings deposit rates by 50 basis points on deposits below Rs. 5 million by ICICI Bank. Our average time deposits increased from Rs. 2,546.9 billion at an average cost of 6.9% in fiscal 2017 to Rs. 2,751.0 billion at an average cost of 6.4% in fiscal 2018. The cost of time deposits decreased from 6.9% in fiscal 2017 to 6.4% in fiscal 2018 primarily due to a reduction of domestic term deposit rates by ICICI Bank on select maturities. The peak term deposit rate offered by the Bank for maturity of up to one year during fiscal 2018 was 6.5% compared to 7.4% during fiscal 2017. Our savings deposits include retail savings deposits accepted by ICICI Bank UK PLC. See also "*Operating and Financial Review and Prospects—Financial Condition—Liabilities and Stockholders' Equity—Deposits*".

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

	At March 31, 2018			
	Up to one year	After one year and within three years	After three years	Total
	(in millions)			
Interest-bearing deposits:				

Savings deposits	Rs. 2,092,910	Rs. –	Rs. –	Rs.J,092,910
Time deposits	2,268,032	460,725	122,639	2,851,396
Non-interest-bearing deposits:				
Other demand deposits	913,655	—	—	913,655
Total deposits	Rs.**M,274,597**	Rs.**L60,725**	Rs.**I22,639**	Rs.**M,857,961**

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

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

	At March 31, 2016		2017		2018		
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
	(in millions, except percentages)						
Money market borrowings[(1),(2)]	Rs. 290,536	35.6 %	Rs. 224,819	26.9 %	Rs. 189,597	US$ J,912	21.9 %
Other borrowings[(3),(4)]	525,375	64.4	609,683	73.1	675,922	10,381	78.1
Total	**Rs.815,911**	**100.0 %**	**Rs. 834,502**	**100.0 %**	**Rs. 865,519**	**US$I3,293**	**100.0 %**

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

(2) With an average cost of 7.7% in fiscal 2016, 6.7% in fiscal 2017 and 6.1% in fiscal 2018.

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

(4) With an average cost of 11.1% in fiscal 2016, 10.1% in fiscal 2017 and 8.9% in fiscal 2018.

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

	At March 31, 2017	2018		% of total deposits
	(in millions, except percentages)			
Less than three months	Rs. L15,568	Rs. 488,750	US$ 7,507	8.3 %
Above three months and less than six months	299,154	226,739	3,482	3.9
Above six months and less than 12 months	245,762	382,672	5,877	6.5
More than 12 months	75,202	104,881	1,611	1.8
Total deposits of Rs. 10 million and more	**Rs.1,035,686**	**Rs.I,203,042**	**US$I8,477**	**20.5 %**

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

At March 31, [(1)] 2016	2017	2018
(in millions, except percentages)		

Year-end balance	Rs. 248,793	Rs. 106,591	Rs. 313,595
Average balance during the year	290,536	224,819	189,597
Maximum quarter-end balance	249,200	233,533	313,595
Average interest rate during the year (2)	7.7 %	6.7 %	6.1 %
Average interest rate at year-end (3)	7.7 %	6.6 %	6.2 %

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

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

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

Our short-term rupee borrowings increased from Rs. 106.6 billion at year-end fiscal 2017 to Rs. 313.6 billion at year-end fiscal 2018 primarily due to an increase in borrowings under liquidity adjustment facility with the Reserve Bank of India, borrowings under collateralized borrowing and lending obligations and refinance borrowing.

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

	For year ended March 31,							
	2016		2017		2018			
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
	(in millions, except percentages)							
Bond borrowings (1)	Rs. 548,838	41.0 %	Rs. 558,214	43.0 %	Rs. 475,562	US$ 7,304	41.0 %
Other borrowings (2)	789,163	59.0	739,383	57.0	683,828	10,503	59.0
Total	Rs. **1,338,001**	100.0%	Rs. **1,297,597**	100.0%	Rs. **1,159,390**	US$ **17,807**	100.0%

(1) With an average cost of 4.8% in fiscal 2016, 4.6% in fiscal 2017 and 3.9% in fiscal 2018.

(2) With an average cost of 1.6% in fiscal 2016, 1.8% in fiscal 2017 and 2.2% in fiscal 2018.

At year-end fiscal 2018, the outstanding debt capital instruments were Rs. 331.9 billion. The outstanding debt capital instruments include debt that is classified either as Additional Tier I or Tier II capital in calculating the capital adequacy ratio as per the grandfathering rules in accordance with the Reserve Bank of India's regulations on capital adequacy as per Basel III. See also "*Supervision and Regulation—Reserve Bank of India Regulations*".

Risk Management

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

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

- The Board of Directors has oversight of all the risks assumed by us.
- Specific committees of the Board have been constituted to facilitate focused oversight of various risks. For a discussion of these and other committees, see "Management".
- The Risk Committee reviews risk management policies in relation to various risks (including credit risk, market risk, liquidity risk, interest rate risk and operational risk), key risk indicators and risk profile (covering areas including

credit risk, market risk, liquidity risk, operational risk, technology risk, reputation risk, compliance risk, capital at risk, management risk and group risk). The Committee reviews the stress-testing framework that includes a wide range of institution-specific and market (systemic) scenarios. The Risk Committee also assesses our capital adequacy position, based on the risk profile of our balance sheet and reviews the implementation status of capital regulations.

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

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

We have taken the following key measures:

- hard limits for group and borrower exposures based on rating and track record.
- rating based limits with respect to incremental asset origination in the corporate portfolio.
- establishment of a separate credit monitoring group to enhance focus on monitoring of borrowers and to facilitate proactive action wherever required.
- enhanced monitoring of retail product portfolios through periodic reviews and vintage curve analysis.

The credit committee of the Board reviews the portfolio and large exposure groups.

Credit Approval Authorities

The Board of Directors has delegated credit approval authority to various committees, forums and individual officers under the credit approval authorization policy. The credit approval authorization policy is

based on the level of risk and the quantum of exposure, and is designed to ensure that transactions with higher exposure and higher levels of risk are sent to a correspondingly higher forum/committee for approval.

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

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

Credit Risk Assessment Methodology for Standalone Entities

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

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

ICICI Bank has an established credit analysis procedure leading to appropriate identification of credit risk both at the individual borrower and the portfolio level. Appropriate appraisal and credit rating methodologies have been established for various types of products and businesses. The methodology involves assessment of quantitative and

qualitative parameters. For example, for any large corporate, the rating methodology entails a comprehensive evaluation of the industry, borrower's business position in the industry (benchmarking), financial position and projections, quality of management, impact of projects being undertaken by the borrower and structure of the transaction.

Borrower risk is evaluated by considering:

- the risks and prospects associated with the industry in which the borrower is operating (industry risk);
- the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);
- the borrower's relative market position and operating efficiency (business risk);
- the quality of management by analyzing their track record, payment record and financial conservatism (management risk); and
- the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project (project risk).

After conducting an analysis of a specific borrower's risk, the Credit Risk Management Group assigns a credit rating to the borrower. We have a scale of 12 ratings ranging from AAA to B. A borrower's credit rating is a vital input for the credit approval process. The borrower's credit rating and the default pattern corresponding

to that credit rating, forms an important input in the risk-based pricing framework of the Bank. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the Credit Risk Management Group before being submitted for approval to the appropriate approval authority. The approval process for non-fund facilities is similar to that for fund-based facilities. The credit rating for every borrower is reviewed periodically. We also review the ratings of our borrowers in a particular industry upon the occurrence of any significant event impacting that industry.

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

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

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

Our consolidated net loans to accounts internally rated below investment grade (including net non-performing and restructured loans) were Rs. 517.23 billion at year-end fiscal 2018, constituting about 9.1% of our total net loans.

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

whether to renew the working capital loan arrangement.

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

Assessment of Project Finance Exposures

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

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

In addition to the above, in the case of structured project finance in areas such as infrastructure, oil, gas and petrochemicals, as a part of the due diligence process, we appoint consultants, wherever considered necessary, to advise the lenders, including technical advisors, business analysts, legal counsel and insurance consultants. These consultants are typically internationally recognized and experienced in their respective fields. Risk

mitigating factors in these financings include creation of debt service reserves and channeling project revenues through a trust and retention account.

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

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

Assessment of Corporate Finance Exposures

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

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

- carrying out a detailed analysis of cash flows to forecast the amounts that will be paid and the timing of the payments based on an exhaustive analysis of historical data;

- conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and

- paying particular attention to the legal, accounting and tax issues that may impact the structure.

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

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

- assessment of the industry structure in the target's host country and the complexity of the business operations of the target;

- financial, legal, tax, technical due diligence (as applicable) of the target;

- appraisal of potential synergies and likelihood of their being achieved;

- assessment of the target company's valuation by comparison with its peer group and other transactions in the industry;
- analysis of regulatory and legal framework of the overseas geographies with regard to security creation, enforcement and other aspects;
- assessment of country risk aspects and the need for political insurance; and
- the proposed management structure of the target post-takeover and the ability and past experience of the acquirer in completing post-merger integration.

Assessment of Working Capital Finance Exposures

We carry out a detailed analysis of borrowers' working capital requirements. Credit limits are established in accordance with the credit approval authorization approved by the Bank's Board of Directors. Once credit limits are approved, we calculate the amounts that can be lent on the basis of monthly statements provided by the borrower and the margins stipulated. Quarterly information statements are also obtained from borrowers to monitor the performance on a regular basis. Monthly cash flow statements are obtained where considered necessary. Any irregularity in the conduct of the account is reported to the appropriate authority on a regular basis. Credit limits are reviewed on a periodic basis.

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

Assessment of Retail Loans

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

The Credit and Policy Group is responsible for preparing credit policies/operating policies. The Credit Risk Management Group oversees the credit risk issues for retail assets including the review of all credit policies and

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

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

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

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

Committee of Executive Directors of ICICI Bank reviews the portfolio on a periodic basis. The renewal of programs is approved by the Committee of Executive Directors.

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

Assessment Procedures for Small Enterprises Loans

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

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

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

Assessment Procedures for Rural and Agricultural Loans

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

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

Rural and agri credit also includes financing extended on a cluster-based approach in which credit is extended to borrowers that have a homogeneous profile. The risk assessment of such a cluster involves the identification of appropriate credit norms for the target market, the use of scoring models for enterprises that satisfy these norms and a comprehensive appraisal of those enterprises which are awarded a minimum required score in the scoring model. For corporations, borrower risk is evaluated by analyzing the industry risk, the borrower’s market position, financial performance, cash flow adequacy and the quality of management. The credit risk of intermediaries (including vendors, dealers, harvester & transporter, seed organizers, micro finance institutions) and retail customers is evaluated by analyzing the base credit quality of such borrowers or the pool

of borrowers and also the linkages between the borrowers and the companies to which they are supplying their produce.

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

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

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

Risk Monitoring and Portfolio Review

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

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

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

analysis of trends in the portfolio credit risk.

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

Quantitative and Qualitative Disclosures about Market Risk

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

Market Risk Management Procedures

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

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

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

Interest Rate Risk

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

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

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

ICICI Bank's primary source of funding is deposits and, to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings account deposits and current account deposits, which do not have any specified maturity and can be withdrawn on demand. Current account deposits in the domestic operations are non-interest bearing. The Reserve Bank of India has deregulated interest rates on saving account deposits from October 25, 2011. The rate of interest on savings account deposits currently offered by ICICI Bank is 3.50% for end of day balance of below Rs. 5 million and 4.00% for end of day balance of Rs. 5 million and above. We usually borrow for a fixed period with a bullet repayment on maturity, with some borrowings having European call options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans are generally repaid gradually, with principal repayments being made over the life of the loan.

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

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

Marginal Cost of funds based Lending Rate. As required by the Reserve Bank of India guidelines, we publish the ICICI Bank Marginal Cost of funds based Lending Rate for various tenures on a monthly basis. Pricing for floating rate approvals and renewal of rupee facilities are linked to the ICICI Bank Marginal Cost of funds based Lending Rate and comprise the ICICI Bank Marginal Cost of funds based Lending Rate and spread. The Reserve Bank of India has also stipulated that a bank's lending rates for rupee loans cannot be lower than its Marginal Cost of funds based Lending Rate, except for certain exemptions. As prescribed in the Reserve Bank of India guidelines, existing borrowers will also have the option to move to the Marginal Cost of funds based Lending Rate linked loan at mutually acceptable terms. Any change in the Marginal Cost of funds based Lending Rate is generally passed on to borrowers under various facilities at different periodicity, of up to one year. All loans approved before April 1, 2016, and where the borrowers choose not to migrate to the Marginal Cost of funds based Lending Rate system, would continue to be based on the earlier benchmark rate regimes.

An internal study group report of the Reserve Bank of India dated September 25, 2017 proposed that all floating rate loans extended from April 1, 2018 be referenced to an external benchmark. The Group also suggested that the periodicity of resetting the interest rates will be once a quarter and that banks should migrate all existing lending rates to the new benchmark without any additional charges for switchover within one year from the introduction of the external benchmark. The Reserve Bank of India has yet to issue the necessary instructions/guidelines in this regard. Further, in February 2018, the Reserve Bank of India proposed to harmonize the methodology of determining benchmark rates by linking the base rate to the marginal cost based lending rate. Final instructions/guidelines in this regard are pending.

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

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

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

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

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

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	At March 31, 2018[1]			
	Less than or equal to one year	**Greater than one year and up to five years**	**Greater than five years**	**Total**
	(in millions)			
Loans, net	Rs. 4,734,792	Rs. 894,747	Rs. 39,003	Rs. 5,668,542
Investments	658,680	1,029,530	2,033,867	3,722,077
Other assets[2]	576,982	162,803	1,020,171	1,759,956
Total assets	5,970,454	2,087,080	3,093,041	11,150,575

	At March 31, 2018[1]			
	Less than or equal to one year	**Greater than one year and up to five years**	**Greater than five years**	**Total**
	(in millions)			
Stockholders' equity and preference share capital	—	—	1,106,297	1,106,297
Borrowings	1,159,125	780,609	354,284	2,294,018
Deposits	3,000,842	2,645,820	211,299	5,857,961
Other liabilities	3,548	—	1,980,986	1,984,534
Total liabilities	4,163,515	3,426,429	3,652,866	11,242,810
Total gap before risk management positions	1,806,938	(1,339,349)	(559,824)	(92,235)
Off-balance sheet positions[3]	(310,641)	175,751	88,058	(46,832)
Total gap after risk management positions	**Rs. 1,496,297**	**Rs. (1,163,598)**	**Rs. (471,766)**	**Rs. (139,067)**

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

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

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

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

At March 31, 2018		
Fixed rate loans	**Variable rate loans**	Total
(in millions)		

Loans	Rs.I,038,536	Rs.J,927,371	Rs.3,965,907

The following table sets forth, using the balance sheet at year-end fiscal 2018 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2019, assuming a parallel shift in the yield curve at year-end fiscal 2018.

	At March 31, 2018			
	Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in millions)			
Rupee portfolio	Rs. (6,956)	Rs. (3,478)	Rs.K,478	Rs.N,956
Foreign currency portfolio	216	108	(108)	(216)
Total	**Rs. (6,740)**	**Rs. (3,370)**	**Rs.K,370**	**Rs.N,740**

Based on our asset and liability position at year-end fiscal 2018, the sensitivity model shows that net interest income from the banking book for fiscal 2019 would rise by Rs. 6.7 billion if interest rates increased by 100 basis points. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points, net interest income for fiscal 2018 would fall by an equivalent amount of Rs. 6.7 billion.

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

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

Price Risk (Trading Book)

The following table sets forth, using the fixed income portfolio at year-end fiscal 2018 as the base, one possible prediction of the impact of changes in interest rates on the value of our fixed income held-for-trading portfolio, assuming a parallel shift in interest rate curve.

	At March 31, 2018				
	Change in interest rates (in basis points)				
	Portfolio Size (in millions)	**(100)**	**(50)**	**50**	**100**
Indian government securities	Rs. 165,192	Rs. 4,931	Rs. 2,479	Rs. (2,479)	Rs. (4,931)
Corporate debt securities	153,594	1,484	747	(747)	(1,484)
Total	**Rs. 318,786**	**Rs. 6,415**	**Rs. 3,226**	**Rs. (3,226)**	**Rs. (6,415)**

	At March 31, 2018				
	Change in interest rates (in basis points)				
	Portfolio Size (in millions)	**(100)**	**(50)**	**50**	**100**
Foreign government securities	Rs. 12,567	Rs. 5	Rs. 3	Rs. (3)	Rs. (5)

At year-end fiscal 2018, the total value of our fixed income trading portfolio, including foreign government securities was Rs. 331.3 billion. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 6.4 billion. Conversely, if interest rates fall by 100 basis points, the value of this portfolio would rise by Rs. 6.4 billion. At year-end fiscal 2017, the total value of our fixed income trading portfolio was Rs. 219.2 billion. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would fall by Rs. 5.5 billion. Conversely, if interest rates fell by 100 basis points the value of this portfolio would rise by Rs. 5.5 billion.

The total outstanding notional principal amount of our trading interest rate derivatives portfolio increased from Rs. 5,723.5 billion at year-end fiscal 2017 to Rs. 11,470.6 billion at year-end fiscal 2018. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 47 million. The total outstanding notional principal amount of our trading currency derivatives (such as futures, options and cross currency interest rate swaps) increased from Rs. 961.9 billion at year-end fiscal 2017 to Rs. 995.8 billion at year-end fiscal 2018. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would rise by Rs. 1.7 billion. The total outstanding notional principal amount of our trading foreign exchange

portfolio increased from Rs. 4,166.8 billion at year-end fiscal 2017 to Rs. 4,184.5 billion at year-end fiscal 2018. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would fall by Rs. 60 million.

Equity Risk

We assume equity risk both as part of our investment book and our trading book. At year-end fiscal 2018, we had a total equity investment portfolio of Rs. 132.4 billion, primarily comprising Rs. 28.3 billion of investments by ICICI Bank and Rs. 102.3 billion of investments by our insurance subsidiaries. Additionally, ICICI Securities and ICICI Securities Primary Dealership also have a small portfolio of equity derivatives. The equity investments of ICICI Bank include the equity portfolio of its proprietary trading group amounting to Rs. 0.6 billion and other equity investments amounting to Rs. 27.7 billion. These other equity investments are acquired primarily from loan conversion and it also includes investment in unlisted equity which are long-term in nature. We also invest in private equity and venture capital funds, primarily those managed by our subsidiary ICICI Venture Funds Management Company. These funds invest in equity and equity linked instruments. Our investments through these funds are similar in nature to our other equity investments and are subject to the same risks. In addition, they are also subject to risks in the form of changes in regulation and taxation policies applicable to such equity funds. For further information on our trading and available-for-sale investments, see "—Overview of Our Products and Services—Investment Banking—Treasury".

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

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

The following table sets forth the high, low, average and period-end value-at-risk for fiscal 2018.

	High	Low	Average	At March 31, 2018
	Rs. in million			
Value-at-risk	182.2	4.1	61.7	7.5

We monitor the effectiveness of the value-at-risk model by regularly back-testing its performance. Statistically, we would expect to see losses in excess of value-at-risk only 1% of the time over a one-year period. During fiscal 2018, hypothetical loss exceeded the value-at-risk estimates for one day. An analysis of this outlier revealed that the loss occurred on the day when actual movement in the stocks for the day was more than the scenario used to compute value-at-risk for the day.

The following table sets forth a comparison of the hypothetical daily profit/(loss), computed on the assumption of no intra-day trading, and value-at-risk calculated using the historical simulation model during fiscal 2018.

	Average	At March 31, 2018
	Rs. in million	
Hypothetical daily profit/(loss)	2.0	8.3
Value-at-risk	61.7	7.5

The high and low hypothetical daily profit/(loss) during fiscal 2018 was Rs. 88.4 million and Rs. (107.0) million respectively.

While value-at-risk is an important tool for measuring market risk under normal market conditions, it has inherent limitations that should be taken into account, including its inability to accurately predict future losses when extreme events are affecting the markets, because it is based on the assumption that historical market data is indicative of future market performance. Moreover, different value-at-risk calculation methods use different assumptions and hence may produce different results, and computing value-at-risk at the close of the business day would exclude intra-day risk. There is also a general possibility that the value-at-risk model may not fully capture all the risks present in the portfolio.

Exchange Rate Risk

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

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

Assuming 1% increase/decrease in each of the foreign currencies against the respective base currency, our exchange rate sensitivity comes to Rs. 8.1 million at year-end fiscal 2018 compared to Rs. 29 million at year-end fiscal 2017. The above numbers are without any netting benefit across base currencies. We also monitor Greeks of our currency options.

Derivative Instruments Risk

The Bank offers various derivative products, including options and swaps, to clients for their risk management purposes. Profits or losses on account of market movements on these transactions are borne by the clients. For the transactions which are not covered in the inter-bank market, the Bank runs open positions within the limits prescribed in its Investment Policy. The derivative transactions are subject to counterparty risk to the extent particular obligors are unable to make payment on contracts when due.

The Bank also enters into interest rate and currency derivative transactions for the purpose of hedging interest rate and foreign exchange mismatches and also engages in trading of derivative instruments on its own account.

Credit Spread Risk

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

The following table sets forth, using our held-for-trading portfolio at year-end fiscal 2018 as the base, one possible prediction of the impact of changes in credit spreads on the value of the trading portfolio, assuming a parallel shift in credit spreads.

	At March 31, 2018				
	Change in credit spread (in basis points)				
	Portfolio Size (in millions)	**(100)**	**(50)**	**50**	**100**
Corporate debt securities	Rs. 153,594	Rs. 1,484	Rs. 747	Rs. (747)	Rs. (1,484)

At year-end fiscal 2018, our held-for-trading portfolio (excluding government securities) was Rs. 153.6 billion. The sensitivity model shows that if credit spreads increase by 100 basis points, the value of this portfolio would fall by Rs. 1.5 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 1.5 billion. At year-end fiscal 2017, our held-for-trading portfolio (excluding government securities) was Rs. 135.6 billion. The sensitivity model showed that if credit spreads increased by 100 basis points, the value of this portfolio would fall by Rs. 2.7 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 2.7 billion.

Liquidity Risk

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

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

We manage liquidity risk in accordance with our Asset Liability Management Policy. This policy is framed as per the current regulatory guidelines and is approved by the Board of Directors. The Asset Liability Management Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic landscape. The Asset Liability Management Committee of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the

framework laid out in the Asset Liability Management Policy. The Asset Liability Management Committee comprises managing director, wholetime directors and senior executives. The Risk Committee of the Board, a Board Committee, has oversight of the Asset Liability Management Committee.

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

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

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

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

For our overseas branches, the Bank also has a well-defined borrowing program. In order to maximize borrowings at a reasonable cost through its branches, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings, interbank

bilateral loans and deposits, including structured deposits. The Bank also raises refinance from other banks against eligible trade assets. Those loans that meet the Export Credit Agencies' criteria are refinanced as per the agreements entered into with these agencies. The Bank also mobilizes deposits liabilities, in accordance with the regulatory framework in place in the respective host country.

The Bank maintains prudential levels of liquid assets in the form of cash, balances with the central bank and government securities, money market and other fixed income securities. Currently, as stipulated by the regulator, banks in India are required to maintain statutory liquidity ratio at a level of 19.5% effective October 14, 2017 of their net demand and time liabilities in India and cash reserve ratio at a level of 4.0% of their net demand and time liabilities in India. The Bank generally holds additional securities over and above the stipulated level. The Bank is subject to a liquidity coverage ratio requirement in a phased manner as per the Reserve Bank of India guidelines from January 1, 2015. As per Reserve Bank of India guidelines, effective January 1, 2016, a liquidity coverage ratio is applicable to Indian banks on both a standalone basis and on a consolidated basis. Banks in India were required to maintain a liquidity coverage ratio at a minimum of 80.0% for the calendar year 2017. Effective January 1, 2018, the liquidity coverage ratio requirement increased to 90.0% for the calendar year 2018 and will increase to 100.0% from January 1, 2019. The liquidity coverage ratio requirement is met by investment in high quality liquid assets which are primarily in the form of government securities, in excess of mandatory statutory liquidity ratio and better-rated corporate bonds. Additionally, as of June 30, 2018, out of the statutory liquidity ratio requirement of 19.5% of net demand and time liabilities in India, 13% (11% in the form of facility to avail liquidity under liquidity coverage ratio and 2%

under marginal standing facility) is counted towards the high quality liquid assets under the liquidity coverage ratio. During fiscal 2018, the Bank maintained a liquidity coverage ratio above the stipulated level.

The Reserve Bank of India on May 17, 2018 issued final guidelines on the Basel III framework on liquidity standards – net stable funding ratio. This guideline is designed to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. As per the guidelines, the net stable funding ratio should be equal to at least 100% on an ongoing basis and will be applicable for Indian banks at the individual as well as consolidated level. The Reserve Bank of India will communicate the implementation date of this guideline in due course.

We have a Board approved liquidity stress testing framework, under which we estimate the Bank's liquidity position under a range of stress scenarios, and consider possible measures we could take to mitigate the outflows under each scenario. These scenarios cover bank specific, market-wide and combined stress situations and have been separately designed for the domestic and international operations of the Bank. Each scenario included in the stress-testing framework covers a time horizon of 30 days. The stress-testing framework measures the impact on profit due to liquidity outflows for each scenario, considering possible measures that we could take to mitigate the stress. The impact on profits is subject to a stress tolerance limit specified by the Board of Directors. The results of liquidity stress testing are reported to the Asset Liability Management Committee on a monthly basis. During fiscal 2018, the results of each of the stress scenarios were within the Board-approved limits.

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

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

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

The Prudential Regulation Authority issued a new policy statement on Capital Requirements Directive IV: Liquidity Requirements in June 2015, which was supplemented by supervisory statement on Prudential Regulation Authorities approach to supervising liquidity and funding risk. The new guidelines were applicable from October 1, 2015. As per the guidelines banks were required to maintain Liquidity Coverage Ratio, calculated as per the methodology provided in the Delegated Act issued by European Banking Authority in October 2014, at 80% starting October 1, 2015 as a Pillar 1 liquidity requirement. The Liquidity Coverage Ratio requirement increased to 100% from January 1, 2018 onwards from the requirement of 90% applicable during the period from January 1, 2017 to December 31, 2017. Prudential Regulation Authority has also adopted a Pillar 2 approach for Liquidity requirements, in which banks are required to hold high quality liquid assets for specified risks, which are not captured in Liquidity Coverage Ratio. During fiscal 2018, ICICI Bank UK PLC maintained Liquidity Coverage Ratio above the stipulated level and complied with Pillar 2 liquidity requirements specified by Prudential Regulation Authority.

In November 2014, The Office of Superintendent of Financial Institutions revised the Liquidity Adequacy Requirements to incorporate Liquidity Coverage Ratio requirements for banks in Canada. The requirements expect banks to have an adequate stock of unencumbered high quality liquid assets that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The standard requires that, absent a situation of financial stress, the value of the coverage ratio of high quality liquid assets to total net cash outflows be no lower than 100%. The Office of Superintendent of Financial Institutions expects each Canadian bank to have an internal liquidity policy

articulating and defining the role of liquid assets within the bank's overall liquidity management system and establishing minimum targets for liquid asset holdings. ICICI Bank Canada has a Liquidity Management Policy and Market Risk Management Policy that are approved by its Board of Directors. These policies require ICICI Bank Canada to maintain a certain percentage of its customer liabilities in liquid assets and to maintain sufficient liquidity to cover net outflows in the "up to 30 days" maturity bucket. These limits are monitored at least monthly by the Asset Liability Management Committee. ICICI Bank Canada has complied with these requirements throughout fiscal 2018.

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

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

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

Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. Operational risk is sought to be mitigated by

maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. The key elements in the operational risk management process in the Bank are risk identification and assessment, risk measurement, risk monitoring and risk mitigation.

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

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

Operational Controls and Procedures in Retail and Rural Banking

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

The Bank has put in place comprehensive operating manuals detailing procedures for the processing of various banking transactions and for the sale and servicing of third party products. Amendments to these manuals are implemented through circulars, which are accessible to branch employees on the intranet. The branches are complemented by the product and sales teams. The banking transactions relating to customer accounts are processed based on built-in system checks and authorization procedures. There are also adequate

safeguards in the sale of third party products to check that the prescribed sales guidelines are adhered to. Transactions over a specified limit are subjected to enhanced scrutiny to avoid potential money laundering. The adherence to the processes and guidelines by the branches is overseen through risk monitoring, concurrent audits and internal audits.

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

The Bank's rural and inclusive banking activities cater to the financial requirement of customers residing in rural & semi-urban locations. The service is offered through the designated branches of the Bank and there are well-defined product, sales and credit structure for customer sourcing and servicing and they are supported by regional/ centralized processing centers. In addition, there are various pre-defined tasks being performed by independent teams which review the process and service quality such as hind sighting, quality of commodities pledged, title of the land considered as collateral, etc. The Bank also facilitates the enrollment of beneficiaries under various government social schemes, including financial inclusion.

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

The Bank has designated regional processing centers located at various cities across the country. These regional processing centers engage in activities like processing check clearing and inter-branch transactions, outstation check collections, and engage in back-office activities for account opening, renewal of deposits and salary transaction processing of corporations. There are currency chests located at 36 locations in various cities across India, which cater to the cash requirements of branches and ATMs.

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

Operational Controls and Procedures in Retail Asset Operations

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

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

Operational Controls and Procedures in Treasury

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

Operational Controls and Procedures for Corporate and Commercial Banking

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

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

Operational Controls and Procedures for Internet Banking

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

The Bank has put in place adequate authentication and authorization controls for transactions through iMobile application. The iMobile infrastructure is secured through the multi-layer information security controls, including HTTPS/TLS encryption throughout the session, details stored in encrypted DB format. These are supplemented by periodic security audits, application penetration tests, security vulnerability test and network penetration/ application spoofing test. Customers can activate the iMobile app only on their registered mobile number. We also have SUSD (Single User Single Device) in place, where a customer can download the app only on one handset at a time. At the time of activation, UserID-Password or MPIN and grid card authentication is taken as two factor authentication. For transactions, UserID-Password or MPIN and device id is taken as two factor authentication. To add a payee for transfer of funds, the customer is required to validate a unique registration number that is sent to the customer’s mobile

number registered with us. Alerts are also sent to the customer for every internet-based transaction.

To create awareness among customers about phishing, vishing and other internet-related frauds, we regularly send communications to customers.

Information technology risk

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

The Bank has a governance framework for information security with oversight from the Information Technology Strategy Committee which is a Board-level Committee chaired by an Independent Director. The security strategy at the Bank is based on the principle of defense in depth and the IT risk framework of the Bank enunciates three lines of defense with clearly defined roles and responsibilities. The Bank has dedicated units responsible for information security and financial crime prevention, which are independent of the business units. In the endeavor towards providing high availability and continuity of services to its customers, including high

availability of customer facing IT systems, the Bank has a Board-approved Business Contingency Plan which includes plans for recovery of its IT systems in the event of any disaster or contingency. In addition to the Information Security Policy, the Bank also has a Board approved Cyber Security Policy which incorporates a cyber-crisis management plan. The Bank also conducts vulnerability assessment and penetration testing periodically to mitigate the risk that may arise from security vulnerabilities.

The IT systems of the Bank are continuously monitored by dedicated teams such as the IT Command Center (which includes Network Operation Center) and the Security Operations Center. The Bank has laid down processes for change management, identify management, access management and security operations and these processes are periodically reviewed and refined to keep them abreast of emerging risks and to implement commensurate controls to mitigate such risks. The Bank has the appropriate cyber insurance policy to mitigate the financial risk arising out of various cyber security related incidents.

See also "*Risk Factors—Risks Relating to Our Business—We face security risks, including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure*".

Anti-Money Laundering Controls

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

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

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

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

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

Following the release on the internet of videos in March-April 2013 forming part of a sting operation on banks and insurance companies in India, that purported to show the Bank's frontline branch employees engaging in conversations that would violate the Group Code of Business Conduct and Ethics and could have, if any transactions had been consummated, led to violations of anti-money laundering and know your customer norms, the Reserve Bank of India undertook investigations at ICICI Bank and over 30 other banks in India. While the Reserve Bank of India's investigations did not reveal any prima facie evidence of money laundering, the Reserve Bank of India had imposed an aggregate penalty of Rs. 665 million (US$ 11 million) on 31 Indian banks, including Rs. 10 million (US$ 0.2 million) on ICICI Bank, for instances of violation of applicable regulations, which we have paid. A penalty of Rs. 1.4 million was also imposed on the Bank in February 2015

by the Financial Intelligence Unit, India for failure in reporting the attempted suspicious transactions to which the above sting operations pertained. The Bank had filed an appeal against the Financial Intelligence Unit, India with the Appellate Tribunal. In June 2017, the Appellate Tribunal ruled that the penalty was not sustainable. The Tribunal asked the appellant banks to be careful and report such matters in future. *See also "—Risk Management—Anti-Money Laundering Controls"*.

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

In December 2014, the Reserve Bank of India imposed penalties on two Indian banks, including us, for non-compliance with the know your customer/anti-money laundering directions/guidelines issued by the Reserve Bank of India in respect of fraudulent opening of fictitious accounts with certain banks. The penalty imposed on us was Rs. 5 million.

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

In November 2017, an overseas regulator imposed a total sum of approximately US$ 0.59 million for non-adherence of rules under anti-money laundering regulations at one of ICICI Bank's overseas branches, resulting from a regulatory inspection conducted in 2013 and pursuant to a consultant's review of records, relating to the period of May 2012 to April 2014. There were no dealings with sanctioned entities and the remediation primarily required improvement to the branch's anti-money laundering/combating of financing of terrorism controls, which has since been undertaken. The local regulator in that jurisdiction has also acknowledged the efforts undertaken by the branch in addressing the issues identified in these reports.

In December 2017, the Bank received three notices from Unique Identification Authority of India for non-compliance of guidelines under Aadhaar (Authentication) Regulations, 2016. The key non-compliance stated in the notices included obtaining universal consent from customers for use of Aadhaar details of customers to authenticate the customer with Unique Identification Authority of India in respect of all products and services offered by its Group companies even if these products and services are not availed/intended to be availed by the customers, sharing of Aadhaar details between the Bank and the group companies, overwriting of customers' previous bank account with ICICI Bank which results in transfer of various Aadhaar linked subsidies to the customer's account with the Bank, and non-conformity with standard application programming interfaces and specifications laid down by Unique Identification Authority of India and Aadhaar (Authentication) Regulations, 2016. The Bank has since responded to

the notices and is awaiting further communication from Unique Identification Authority of India in this regard.

See also “*Risk Factors—Risks Relating to Our Business—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past” and “Risk Factors—Risks Relating to Our Business—Negative publicity could damage our reputation and adversely impact our business and financial results and the prices of our equity shares and ADS.”*.

Audit

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

The Internal Audit Group maintains staff with sufficient knowledge, skills, experience and professional certifications. It deploys audit resources with expertise in audit execution and adequate understanding of business activities. The processes within Internal Audit Group are certified under ISO 9001-2015. Further, an

assessment of the quality of assurance provided by the Internal Audit Group is conducted through an independent external firm once in three years.

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

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

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

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

Legal and Regulatory Risk

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. The uncertainty of the enforceability of the obligations of our customers and counter-parties, including the foreclosure on collateral, creates legal risk. Changes in laws and

regulations could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting internal and external legal advisors. See also "*Risk Factors—Risks Relating to Our Business— We are involved in various litigations. Any final judgment awarding material damages against us could have a material adverse impact on our future financial performance and our stockholders' equity*", "*Risk Factors—Risks relating to Our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*", and "*—Legal and Regulatory Proceedings*".

Risk Management Framework for International Operations

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

The Compliance Group oversees regulatory compliance at the overseas branches, its International Financial Services Centre Banking Unit and Offshore Banking Unit. Compliance risk assessment along with the key risk

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

Risk Management in Key Subsidiaries

ICICI Bank UK PLC

The key material risks to which ICICI Bank UK is exposed to include credit risk (including concentration risk and political risk), market risk (including interest rate and credit spread risks), liquidity risk and operational risk (including compliance, legal risk and conduct risks).

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

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

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

with the liquidity coverage requirements stipulated by the Prudential Regulation Authority.

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

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

ICICI Bank Canada

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

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

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

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

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

ICICI Securities Primary Dealership

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

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

ICICI Prudential Life Insurance Company

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

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

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

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

ICICI Lombard General Insurance Company

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

Controls and Procedures

We have carried out an evaluation under the supervision and with the participation of management, including the Chief Operating Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act at year-end fiscal 2018.

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

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

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

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

Management's Report on Internal Control Over Financial Reporting

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

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

Our internal controls include policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect in reasonable detail the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with authorizations of management and the executive directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of internal control over financial reporting at year-end fiscal 2018 based on criteria set by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on the assessment, management concluded that our internal control over financial reporting was effective at year-end fiscal 2018. Effectiveness of our internal control over financial reporting at year-end fiscal 2018 has been audited by KPMG, an independent registered public accounting firm, as stated in their attestation report, which is included herein. *See also "—Legal and Regulatory Proceedings"*.

Change in Internal Control Over Financial Reporting

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

Loan Portfolio

Our gross loan portfolio increased by 11.0% from Rs. 5,353.2 billion at year-end fiscal 2017 to Rs. 5,944.3 billion at year-end fiscal 2018. At year-end fiscal 2018, approximately 79.2% of our gross loans were rupee loans.

Loan Portfolio by Categories

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

	At March 31,					
	2014	2015	2016	2017	2018	2018
	(in millions)					
Consumer loans and credit card receivables[1]	**Rs. 1,470,783**	**Rs.1,762,154**	**Rs.2,153,561**	**Rs.2,446,478**	**Rs.2,924,289**	**US$44,913**
Rupee	1,251,032	1,534,281	1,895,734	2,259,184	2,735,592	42,015
Foreign currency[2]	219,751	227,873	257,827	187,294	188,697	2,898
Commercial[3]	2,494,150	2,745,376	2,944,355	2,906,744	3,018,836	46,366
Rupee	1,310,457	1,493,578	1,631,734	1,729,028	1,971,895	30,286
Foreign currency	1,183,693	1,251,798	1,312,621	1,177,666	1,046,941	16,080
Lease financing	—	—	—	—	1,137	17
Rupee	—	—	—	—	—	—
Foreign currency	—	—	—	—	1,137	17
Gross loans	3,964,933	4,507,530	5,097,916	5,353,222	5,944,262	91,296
Rupee	2,561,488	3,027,859	3,527,468	3,988,261	4,707,487	72,301
Foreign currency	1,403,445	1,479,671	1,570,448	1,364,961	1,236,775	18,995
Total gross loans	3,964,933	4,507,530	5,097,916	5,353,222	5,944,262	91,296

	At March 31, 2014 (in millions)	2015	2016	2017	2018	2018
Allowance for loan losses	(91,515)	(122,629)	(160,625)	(200,049)	(275,720)	(4,235)
Net loans	**Rs.K,873,418**	**Rs.L,384,901**	**Rs.4,937,291**	**Rs.5,153,173**	**Rs.5,668,542**	**US$87,061**

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

(2) Includes loans against foreign currency non-resident (bank) deposits of Rs. 15.5 billion at year-end fiscal 2018.

(3) Includes builder financing and dealer financing.

Our gross rupee loans increased from Rs. 3,988.3 billion constituting 74.5% of our total gross loans at year-end fiscal 2017 to Rs. 4,707.5 billion constituting 79.2% of our total gross loans at year-end fiscal 2018 primarily due to an increase in consumer loans and credit card receivables. Our gross foreign currency loans decreased from Rs. 1,365.0 billion, constituting 25.5% of our total gross loans at year-end fiscal 2017 to Rs. 1,236.8 billion, constituting 20.8% of our total gross loans at year-end fiscal 2018 primarily due to repayments/prepayments of loans in our foreign branches. See also "*Operating and Financial Review and Prospects—Financial Condition—Assets—Advances*".

At year-end fiscal 2018, we did not have outstanding cross-border loans (defined as loans made to borrowers outside of India) exceeding 1.0% of our assets in any country except Canada, which were between approximately 2.0% to 2.5% of our assets. We had outstanding cross-border loans to U.S., United Arab Emirates and United Kingdom borrowers amounting to between 0.5% and 1.0% of our assets.

Collateral —Completion, Perfection and Enforcement

Our loan portfolio largely consists of project and corporate finance and working capital loans to corporate borrowers, loans to retail customers, including home loans, automobile loans, commercial business loans, personal loans and credit card receivables and agricultural financing. In general, other than personal loans, credit card receivables and some forms of corporate and agricultural financing, which are unsecured, we stipulate that the loans should be collateralized at the time of loan origination. However, it should be noted that obstacles within the Indian legal system can create delays in enforcing collateral. See *"Risk Factors—Risks Relating to Our Business— Our level of non-performing assets is elevated, and if the level of non-performing assets is elevated, and if the level of our non-performing assets increases further and the overall quality of our loan portfolio continues to deteriorate, our business will suffer"*. In India, there are no regulations stipulating loan-to-collateral limits, except in the case of home

loans and loan against gold ornaments and jewelry. The Reserve Bank of India, through a guideline has capped the loan-to-value ratio at 90% for home loans up to Rs. 3.0 million, at 80% for home loans between Rs. 3.0 million and Rs. 7.5 million and at 75% for home loans above Rs 7.5 million. Further, the Reserve Bank of India, through a guideline has capped the loan-to-value ratio at 75% for non-agricultural loans secured by gold ornaments and jewelry.

Secured consumer loan portfolio

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

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

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

Commercial loans

The Bank generally requires collateral at origination for commercial loans. The collateral for project and other corporate loans are usually immovable assets, which are typically mortgaged in the Bank's favor, or movable assets, which are typically hypothecated in the Bank's favor. These security interests must be perfected by the registration of these interests within time limits stipulated under the Companies Act with the Registrar of Companies pursuant to the provisions of the Companies Act when borrowers are constituted as companies. This

registration amounts to a constructive public notice to other business entities of the security interests created by such companies. Prior to creation of security interests on all assets, which are not stock-in-trade for the company, a no-objection certificate from the income tax authorities is required to create a charge on the asset. We may also take security of a pledge of financial assets like marketable securities (for which perfection of security interests by registration with the Registrar of Companies is not mandatory for companies under the Companies Act), and obtain corporate guarantees and personal guarantees wherever appropriate. In certain cases, the terms of financing include covenants relating to sponsor shareholding in the borrower and restrictions on the sponsors' ability to sell all or part of their shareholding. Covenants involving equity shares have a top-up mechanism based on price triggers. We also provide unsecured loans to higher rated, well-established corporate borrowers. See also "*Risk Factors—Risks Relating to Our Business—The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss*".

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

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

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

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

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

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

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

The Insolvency and Bankruptcy Code, 2016, enacted in May 2016, provides for a time-bound revival and rehabilitation mechanism to resolve stressed assets. In June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed borrowers. In August 2017, the Reserve Bank of India identified additional borrowers and directed banks to initiate an insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by December 31, 2017 if a resolution plan was not implemented by December 13, 2017. The banks have referred several of these accounts to the National Company Law Tribunal under the Insolvency and Bankruptcy Code during fiscal 2018. Further, the Reserve Bank of India has introduced a new

framework for the resolution of stressed assets in February 2018 by which banks are required to implement a resolution plan within 180 days in respect of any overdue account where aggregate exposure of the lenders is Rs. 20.0 billion or more, and failing which the borrower would have to be referred for resolution under the Insolvency and Bankruptcy Code. The process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving with periodic amendments being incorporated in the framework through both legislation and judicial decisions. If resolution of one or more of these borrowers is not achieved and they go into liquidation, the market value of the collateral may come down. See also "*Overview of the Indian Financial Sector—Legislative Framework for Recovery of Debts due to Banks—Insolvency and Bankruptcy Code, 2016*".

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

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

Loan Concentration

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

Pursuant to the guidelines of the Reserve Bank of India, credit exposure of banks to an individual borrower generally must not exceed 15.0% of our capital funds, unless the exposure is in respect of an infrastructure project. Capital

funds comprise Tier 1 and Tier 2 capital calculated pursuant to the guidelines of the Reserve Bank of India, under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of our capital funds by an additional 5.0% (i.e. the aggregate exposure can be 20.0%) provided the additional credit exposure is on account of infrastructure financing. Our exposure to a group of companies under the same management control generally must not exceed 40.0% of our capital funds unless the exposure is in respect of an infrastructure project. The exposure to a group of companies under the same management control, including exposure to infrastructure projects, may be up to 50.0% of our capital funds. Banks may, in exceptional circumstances, with the approval of their Boards, enhance the exposure by 5.0% of capital funds (i.e., the aggregate exposure can be 20.0% of capital funds for an individual borrower and the aggregate exposure can be 45.0% of capital funds for a group of companies under the same management), making appropriate disclosures in their annual reports. Exposure for funded and non-funded credit facilities is calculated as the total committed amount or the outstanding amount whichever is higher (for term loans, as the sum of undisbursed commitments and the outstanding amount). Investment exposure is considered at book value. At year-end fiscal 2018, we were in compliance with these guidelines.

In addition, the Bank has strengthened its framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record. The group exposure limits for lower rated borrowers and groups are substantially lower than the regulatory limits.

At year-end fiscal 2018, our largest non-bank borrower accounted for approximately 11.7% of our capital funds. The largest group of companies under the same management control accounted for approximately 22.9% of our capital funds.

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

	At March 31, 2014		2015		2016		2017	
	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
	(in millions, except percentages)							
Retail finance[1], [2]	Rs.I,621,267	40.9 %	Rs.I,956,857	43.4 %	Rs.2,385,701	46.8 %	Rs.2,689,642	50.2 %
Services —finance	127,735	3.2	146,879	3.2	161,303	3.2	273,163	5.1
Power	237,912	6.0	260,204	5.8	283,433	5.6	311,902	5.8
Services —non finance	266,016	6.7	286,844	6.4	280,733	5.5	233,575	4.4
Roads, port, telecom, urban development & other infrastructure	271,869	6.9	260,526	5.8	285,898	5.6	239,522	4.5
Iron/steel and products	200,754	5.1	233,712	5.2	270,478	5.3	249,504	4.7
Wholesale/retail trade	83,757	2.1	137,036	3.0	148,575	2.9	133,313	2.5
Crude petroleum/refining & petrochemicals	127,887	3.2	140,852	3.1	104,531	2.1	86,852	1.6
Construction	89,316	2.3	107,610	2.4	114,625	2.2	107,309	2.0
Mining	65,455	1.7	80,037	1.8	82,896	1.6	110,157	2.1
Electronics & engineering	96,717	2.4	81,599	1.8	82,453	1.6	100,167	1.9
Food & beverages	82,020	2.1	77,592	1.7	83,094	1.6	88,356	1.7
Chemicals and fertilizers	38,299	1.0	31,254	0.7	44,775	0.9	55,473	1.0
Cement	79,019	2.0	92,581	2.1	85,988	1.7	76,091	1.4
Metal & products (excluding iron & steel)	93,121	2.3	112,766	2.5	118,213	2.3	98,176	1.8
Gems & jewelry	44,845	1.1	45,047	1.0	51,516	1.0	45,254	0.8
Textile	30,628	0.8	26,449	0.6	32,688	0.6	29,955	0.6
Shipping	59,459	1.5	67,480	1.5	61,660	1.2	31,562	0.6
Others[3]	348,857	8.8	362,205	8.0	419,356	8.3	393,249	7.6
Gross loans	3,964,933	100.0%	4,507,530	100.0%	5,097,916	100.0%	5,353,222	100.0%
Allowance for loan losses	(91,515)		(122,629)		(160,625)		(200,049)	
Net loans	Rs.K,873,418		Rs.L,384,901		Rs.L,937,291		Rs.5,153,173	

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

(2) Includes loans against foreign currency non-resident (bank) deposits of Rs. 15.5 billion at March 31, 2018.

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

Our gross loan portfolio increased by 11.0% from Rs. 5,353.2 billion at year-ended fiscal 2017 to Rs. 5,944.3 billion at year-ended fiscal 2018. Retail finance increased from 50.2% of gross loans at year-end fiscal 2017 to 54.0% of gross loans at year-end fiscal 2018. Further, non-retail finance advances increased primarily due to an increase in advances to the services-finance sector by Rs. 70.4 billion and the crude petroleum/refining & petrochemicals by Rs. 55.6 billion, offset, in part, by a decrease in advances to the metal & products (excluding iron & steel) sector by Rs. 42.5 billion, iron/steel and products sector by Rs. 37.3 billion and power sector by Rs. 24.4 billion. The net increase in advances to services-finance and the crude petroleum/refining & petrochemicals in fiscal 2018 was primarily to the higher rated borrowers based on the Bank's internal ratings.

At year-end fiscal 2018, our 20 largest borrowers accounted for approximately 9.5% of our gross loan portfolio, with the largest borrower accounting for approximately 1.1% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 1.7% of our gross loan portfolio.

Geographic Diversity

Our portfolios are geographically diversified. The state of Maharashtra accounted for the largest proportion of our domestic gross loans outstanding at year-end fiscal 2018.

Directed Lending

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

Priority Sector Lending

The Reserve Bank of India guidelines on priority sector lending require banks to lend 40.0% of their adjusted net bank credit, to fund certain types of activities carried out by specified borrowers. The definition of adjusted net bank credit includes bank credit in India adjusted by bills rediscounted with the Reserve Bank of

India and other approved financial institutions and certain investments including priority sector lending certificates and investments in Rural Infrastructure Development Fund and other specified funds on account of priority sector shortfall and is computed with reference to the outstanding amount at corresponding date of the preceding year as prescribed by the Reserve Bank of India guidelines ‘Master Direction – Priority Sector Lending – Targets and Classification’. Further the Reserve Bank of India allow exclusion from adjusted net bank credit for loans extended in India against incremental foreign currency non-resident (bank)/non-resident external deposits during specified period and funds raised by way of the issue of long-term bonds for financing infrastructure and low-cost housing subject to certain limit.

As prescribed by the Reserve Bank of India’s Master Direction on “Priority Sector Lending - Targets and Classification” dated July 7, 2016, the priority sectors include the agricultural sector, food and agri-based industries, small, micro and medium enterprises, education, housing, social infrastructure, renewable energy and export credit. The overall target for priority sector lending would be 40% of the adjusted net bank credit, out of which banks are required to lend a minimum of 18.0% to the agriculture sector. Sub-targets of 8.0% for lending to small & marginal farmers (out of agriculture) and 7.5% lending target to micro-enterprises were introduced. The Reserve Bank of India has directed banks to maintain direct lending to non-corporate farmers at the banking system’s average level for the last three years, failing which banks will attract penalties for shortfall. The Reserve Bank of India has set a target of 11.8% of adjusted net bank credit for this purpose for fiscal 2018. Banks are also required to lend 10.0% of their adjusted net bank credit, to certain borrowers under the “weaker section” category. The Reserve Bank of India has also directed banks to maintain lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines. Priority sector lending achievement would be evaluated on a quarterly average basis from fiscal 2017 instead of only at the year-end.

ICICI Bank is required to comply with the priority sector lending requirements prescribed by the Reserve Bank of India from time to time. The shortfall in the amount required to be lent to the priority sectors and weaker sections may be required to be deposited in funds with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the National Housing Bank, the MUDRA Limited and other financial institutions as decided by the Reserve Bank of India from time to time based on the allocations made by the Reserve Bank of India. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At year-end fiscal 2018, our total investment in such funds was Rs. 269.3 billion, which was fully eligible for consideration in overall priority sector achievement.

As prescribed in the Reserve Bank of India guideline, the Bank’s priority sector lending achievement is computed on quarterly average basis from fiscal 2017 onwards. Total priority sector lending for fiscal 2018 was Rs. 1,500.8 billion constituting 37.7% (Rs. 1,399.4 billion constituting 39.9% for fiscal 2017) of adjusted net bank credit against the requirement of 40.0% of adjusted net bank credit. The average lending to agriculture sector for fiscal 2018 was Rs. 587.6 billion constituting 14.8% (Rs. 547.4 billion constituting 15.6% for fiscal 2017) of adjusted net bank credit against the requirement of 18.0% of adjusted net bank credit. The average advance to weaker sections for fiscal 2018 was Rs. 246.6 billion constituting 6.2% (Rs. 220.9 billion constituting 6.3% for fiscal 2017) of adjusted net bank credit against the requirement of 10.0% of adjusted net bank credit. The average lending to small and marginal farmers for fiscal 2018 was Rs. 170.7 billion constituting 4.3% (Rs. 142.2 billion constituting 4.1% for fiscal 2017) of

adjusted net bank credit against the requirement of 8.0% of adjusted net bank credit. The average lending to micro enterprises was Rs. 266.3 billion constituting 6.7% (Rs. 241.2 billion constituting 6.9% for fiscal 2017) of adjusted net bank credit against the requirement of 7.5% of adjusted net bank credit. The average lending to non-corporate farmers was Rs. 352.0 billion constituting 8.9% (Rs. 300.9 billion constituting 8.6% for fiscal 2017) of adjusted net bank credit against the requirement of 11.8% of adjusted net bank credit. See also "*Supervision and Regulation—Directed Lending—Priority Sector Lending*".

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

	for the fiscal 2018			
	Amount		% of total priority sector lending	% of adjusted net bank credit
	(in billion, except percentages)			
Agricultural sector	Rs.M87.6	US$ 9	39.2 %	14.8 %

	for the fiscal 2018			
	Amount		% of total priority sector lending	% of adjusted net bank credit
	(in billion, except percentages)			
Micro, small and medium enterprises	605.9	9	40.4	15.2
Others	307.3	5	20.4	7.7
Total	**Rs.I,500.8**	**US$J3**	**100.0 %**	**37.7 %**

	for the fiscal 2017			
	Amount		% of total priority sector lending	% of adjusted net bank credit
	(in billion, except percentages)			
Agricultural sector	Rs. M47.4	US$ 8	39.1 %	15.6 %
Micro, small and medium enterprises	538.2	8	38.5	15.4
Others	313.8	5	22.4	8.9
Total	**Rs.I,399.4**	**US$21**	**100.0 %**	**39.9 %**

Export Credit

The Reserve Bank of India also requires banks to make loans to exporters at concessional interest rates, as part of directed lending. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At least 12.0% of a bank’s adjusted net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing to banks for an eligible portion of total outstanding export loans in rupees in line with the current Reserve Bank of India guidelines in India as amended from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At March 31, 2018, ICICI Bank’s export credit was Rs. 49.5 billion, which amounted to 1.2% of the Bank’s adjusted net bank credit.

Loan Pricing

As required by the Reserve Bank of India guidelines effective July 1, 2010, ICICI Bank priced its loans with reference to a base rate, called the ICICI Bank Base Rate till March 31, 2016. The Asset Liability Management Committee sets the ICICI Bank Base Rate based on ICICI Bank's current cost of funds, likely changes in the Bank's cost of funds, market rates, interest rate outlook and other systemic factors. Pricing for new rupee floating rate proposals and renewal of rupee facilities till March 31, 2016 were linked to the ICICI Bank Base Rate and comprise the ICICI Bank Base Rate, transaction-specific spread and other charges. The Reserve Bank of India also stipulated that a bank's lending rates for rupee loans cannot be lower than its base rate, except for certain categories of loans as may be specified by the Reserve Bank of India from time to time. ICICI Bank has set its base rate at 8.75% per annum payable monthly, effective April 1, 2018.

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

Pricing for floating rate approvals and renewal of rupee facilities are linked to the ICICI Bank marginal cost of funds based lending rate and comprise the ICICI Bank marginal cost of funds based lending rate and spread. The Reserve Bank of India has also stipulated that a bank's lending rates for rupee loans cannot be lower than

its marginal cost of funds based lending rate, except for certain exemptions. As prescribed in the guidelines of the Reserve Bank of India, existing borrowers will also have the option to move to the marginal cost of funds based lending rate linked loan at mutually acceptable terms. All loans approved before April 1, 2016, and where the borrowers choose not to migrate to the marginal cost of funds based lending rate system, would continue to be based on the earlier benchmark rate regimes. ICICI Bank marginal cost of funds based lending rate at July 1, 2018 was between 8.05%-8.40%.

An internal study group report of the Reserve Bank of India dated September 25, 2017 proposed that all floating rate loans extended from April 1, 2018 to be referenced to an external benchmark. The Group also suggested that the periodicity of resetting the interest rates would be once a quarter and that banks should migrate all existing lending rates to the new benchmark without any additional charges for switchover within one year from the introduction of the external benchmark. The Reserve Bank of India has yet to issue the necessary instructions/guidelines in this regard. Further, in February 2018, the Reserve Bank of India proposed to harmonize the methodology of determining benchmark rates by linking the base rate to the marginal cost based lending rate. Final instructions/guidelines in this regard are awaited.

Classification of Loans

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

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

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

There are separate guidelines for classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure. A loan extended for the implementation of an infrastructure project, is

classified as non-performing if it fails to commence commercial operations within two years from the documented date of commencement. Similarly, a loan extended for the implementation of a non-infrastructure project, is classified as non-performing if the project fails to commence operations within 12 months from the documented date of such commencement. In April 2015, the Reserve Bank of India issued guidelines for revival of projects which have been delayed due to inadequacies of the existing project sponsors through a change in ownership of such projects. The guidelines permit banks to extend the date for the commencement of commercial operations of such projects up to a further period of two years subsequent to a change in ownership of the borrowing entity being effected, with such assets being classified as standard. This would be in addition to the extension of the period for completion of the projects as described above. As per the revised guidelines for the resolution of stressed assets introduced by the Reserve Bank of India on February 12, 2018, loans granted for the implementation of projects that may be restructured due to a delay in implementation of the project (up to a specified period) continue to enjoy forbearance in asset classification subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India.

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

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

Restructured Loans

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

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

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

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

The Reserve Bank of India issued various schemes for the resolution of stressed borrower accounts. The Reserve Bank of India announced guidelines on strategic debt restructuring in fiscal 2016, under which the conversion of debt into equity was allowed, which resulted in the acquisition of ownership interests in the borrowers by banks. On the conversion of debt into equity, banks were allowed to continue with the existing asset classification for an 18-month period (stand-still benefit). Apart from the strategic debt restructuring scheme, the Reserve Bank of India also issued guidelines with respect to loans to borrowers, allowing a change in ownership of the borrowers outside the strategic debt restructuring framework. This guideline allowed the stand-still benefits in asset classification of borrowers in-line with the strategic debt restructuring scheme. In fiscal 2017, the scheme for sustainable structuring of stressed assets was introduced, which sought to strengthen

the ability of banks to undertake the resolution of large borrower accounts that were facing financial difficulties on account of delays in completing large projects. The scheme aimed at enabling lenders to initiate deep financial restructuring, subject to the fulfillment of certain conditions, for the sustainable revival of projects. The scheme envisaged bifurcation of the current dues of a borrower into sustainable debt and other than sustainable debt as per an independent study of the viability of the borrower's operations. The scheme also envisaged that the asset classification of the borrower as on a 'reference date' (date on which the lenders jointly decide to invoke the scheme) would continue for a period of 180 days (stand-still period). On February 12, 2018, these schemes were discontinued under the revised guidelines for the resolution of stressed assets issued by the Reserve Bank of India. The stand-still benefits in asset classification of borrowers, where strategic debt restructuring, change in ownership of the borrowers outside the strategic debt restructuring and sustainable structuring of stressed assets were invoked but not implemented, was withdrawn. Hence, the Bank classified loans where any of these schemes had been invoked but not implemented as non-performing at year-end fiscal 2018.

The revised guidelines expand the definition of restructuring to include loans where the Bank has entered into a settlement and the time given for payment of the settlement amount exceeds three months. In case of restructuring, the accounts classified as "standard" shall be immediately downgraded as non-performing assets. Further, residual debt under restructuring should necessarily receive a minimum credit rating from one or two rating agencies depending on the size of exposure. The guidelines also stipulate additional conditions for upgrading standard accounts classified as non-performing and non-performing accounts that have been restructured. Restructured loans can be upgraded to standard category only after satisfactory performance during the 'specified period', that is, the date by which at least 20.0% of the outstanding principal debt as per the resolution plan and interest capitalisation sanctioned as part of the restructuring, if any, is repaid or one year from the commencement of the first payment of interest or principal on the credit facility with the longest period of moratorium under the terms of the resolution plan whichever is later. In addition to satisfactory performance during the 'specified period', accounts above a specified threshold (currently Rs. 5.0 billion and above) shall also require their credit facilities to be rated investment grade rating at the end of 'specified period' by credit rating agencies accredited by the Reserve Bank of India for the purpose of bank loan ratings.

If a restructured account fails to perform satisfactorily at any point of time during the 'specified period', the credit facilities shall be re-classified in the non-performing category (that is sub-standard, doubtful or loss) as per the repayment schedule that existed before the restructuring. Any future upgrade for such accounts shall be contingent on the implementation of a fresh resolution plan and demonstration of satisfactory performance thereafter.

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

Provisioning and Write-Offs

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

Standard assets:	Allowances on the performing portfolios are based on guidelines issued by the Reserve Bank of India. The provisioning requirement is a uniform rate of 0.4% for all standard assets except – · farm credit to agricultural and the Small and Micro Enterprise sectors, which attract a provisioning requirement of 0.25%, · advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively, · housing loans, where such loans are made at comparatively lower interest rates for the first years of the loan after which the rates are reset at higher rates, which attract a provisioning requirement of 2.0%. The standard asset provisioning on restructured loans is required to be maintained at 5.0% in the first two years from the date of restructuring. Loans restructured with a moratorium on payment of interest/principal attracted a standard asset provision of 5.0% for the period covering the moratorium and two years thereafter. Restructured accounts classified as non-performing advances when upgraded to the standard category carry a provision of 2.0% in the first year from the date of upgrade.

	The standard asset provisions on accounts restructured after June 1, 2013 is 5.0%. The standard asset provision required on accounts restructured before June 1, 2013 was increased to 3.5% from March 31, 2014, 4.25% from March 31, 2015 and 5.0% from March 31, 2016.
	An additional provision of up to 0.80% is required to be made on amounts due from entities having unhedged foreign currency exposure. A provision of 5.0% is also required in respect of standard loans to companies having director(s) whose name(s) appear more than once in the list of willful defaulters.
Sub-standard assets:	A provision of 15.0% is required for all sub-standard assets. A provision of 25.0% is required for accounts that are unsecured. Unsecured infrastructure loan accounts classified as sub-standard require provisioning of 20.0%.
Doubtful assets:	A 100.0% provision/write-off is required against the unsecured portion of a doubtful asset and is charged against income. With effect from fiscal 2012, for the secured portion of assets classified as doubtful, a 25.0% provision is required for assets that have been classified as doubtful for a year, a 40.0% provision is required for assets that have been classified as doubtful for one to three years and a 100.0% provision is required for assets classified as doubtful for more than three years. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers.
Loss assets:	The entire asset is required to be written off or provided for.
Restructured loans:	The provision on restructured loans is required to be equal to the difference between the fair value of the loan before and after restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged under the loan's restructured terms and the principal. The provision on non-performing restructured loans is in addition to provisioning requirement on non-performing loans. For loans restructured up to July 1, 2015, both sets of cash flows are discounted at the Bank's Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. For loans restructured after July 1, 2015, both sets of cash flows are discounted at a rate equal to the actual interest rate charged to the borrower before restructuring for the purpose of determining the diminution in fair value of the loan on restructuring. For accounts having multiple credit facilities with varying interest rates, a weighted average interest is used as the discounting rate.

Apart from the provisions mentioned above, in accounts where the Bank has initiated a change in ownership by conversion of loans into shares under the Strategic Debt Restructuring or outside the Strategic Debt Restructuring mechanism, a provision of 15.0% was required to be made by the end of the 18 months stand-still period. These provisions were to be made over a period of four quarters on the residual loan after such conversion. See also "*Overview of the Indian Financial Sector - Legislative Framework for Recovery of Debts due to Banks - Joint Lenders' Forum*". The Reserve Bank of India issued revised guidelines on February 12, 2018 which revoked the existing guidelines on Strategic Debt Restructuring or outside the Strategic Debt Restructuring for loans where it has not already been implemented.

In respect of non-retail loans reported as fraudulent to the Reserve Bank of India and classified in the doubtful category, the entire amount, without considering the value of security, can be provided for over a period of four quarters starting from the quarter in which fraud has been detected. In respect of non-retail loans where there has been delay in the reporting of the fraud to the Reserve Bank of India or which are classified as loss accounts, the entire amount is required to be provided immediately. In the case of fraud in retail accounts, the entire amount is required to be provided immediately.

In April 2017, the Reserve Bank of India through its circular advised the banks that the provisioning rates prescribed under the prudential norms circular are at the regulatory minimum and banks are encouraged to make

provisions at higher rates in respect of advances to stressed sectors of the economy and had specifically highlighted the telecom sector. As per the guidelines issued by the Reserve Bank of India, the Bank also makes additional general provision on loans to specific borrowers in specific stressed sectors.

The Reserve Bank of India allows banks to create floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The floating provisions outstanding at year-end can be used only for contingencies under extraordinary circumstances for making specific provisions against non-performing accounts after obtaining approval from the Board of Directors and with the prior permission of the Reserve Bank of India. Until utilization of such provisions, they can be netted off from gross non-performing assets to compute the net non-performing assets. Alternatively, floating provisions could be treated as part of Tier 2 capital within the overall ceiling of 1.25% of total risk-weighted assets. See also *“Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Asset Classification—Restructured Loans”*.

In April 2017, the Reserve Bank of India advised banks to maintain provisions for standard assets at rates higher than the regulatory requirement, particularly in respect of advances to stressed sectors of the economy. Banks were required to put in place a Board-approved policy, to be reviewed on a quarterly basis, for making higher provisions based on evaluation of risk and stress in various sectors.

During first half of fiscal 2018, the Reserve Bank of India advised the banks to initiate insolvency resolution processes under the provisions of Insolvency and Bankruptcy Code, 2016 for certain specific accounts. The Reserve Bank of India also required the banks to make a provision at 50.0% of the secured portion and 100.0% of unsecured portion, or a provision as per extant Reserve Bank of India guideline on asset classification norms, whichever is higher. Subsequently, in April 2018, the Reserve Bank of India revised the provisioning requirements in respect of these specified cases from 50.0% of secured portion to 40.0% of secured portion at year-end fiscal 2018 and to 50.0% of the secured portion at June 30, 2018.

Our Policy

We provide for non-performing corporate loans in line with the Reserve Bank of India guidelines. ICICI Bank provides for non-performing consumer loans at the borrower level in accordance with provisioning policy of ICICI Bank, subject to minimum provision requirements set by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are fully provided for or written off. The Bank holds specific provisions against non-performing loans, general provisions against performing loans and floating provision taken over from the erstwhile The Bank of Rajasthan Limited upon amalgamation. The Bank also holds specific provisions against certain performing loans and advances in accordance with the Reserve Bank of India’s directions. For restructured loans, provisions are made in accordance with the restructuring guidelines issued by the Reserve Bank of India. These

provisions are assessed at a borrower level as the difference between the fair value of the loan, both before and after restructuring. In addition, the Bank holds a general provision of 5.0% of the outstanding balance of the restructured loan.

The Bank also made a provision of 15.0%, within a period of four quarters, on the residual loan amount (after conversion of loans into shares) on loans where the Bank had initiated steps for a change in management of a borrower entity by acquiring a majority equity interest in the borrower's share capital under the Reserve Bank of India's guidelines on strategic debt restructuring or outside the scheme of strategic debt restructuring. Similarly, if borrowers have implemented projects which are facing stress and the Bank along with other lenders have implemented the scheme for sustainable structuring of stressed assets, the Bank made provisions as per the Reserve Bank of India guidelines for such schemes. The Reserve Bank of India issued revised guidelines on February 12, 2018 which superseded the existing guidelines on change of ownership under strategic debt restructuring and outside strategic debt restructuring and the scheme for sustainable structuring of stressed assets for loans where it has not already been implemented.

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

The Reserve Bank of India guidelines do not specify the conditions under which assets may be written-off. The Bank has internal policies for writing-off non-performing loans against loan loss allowances. Consumer loans other than mortgage loans and certain small value unsecured commercial loans are generally charged off against allowances after pre-defined periods of delinquency. Other loans, including mortgage loans, are generally charged off against allowances when, based on a borrower-specific evaluation of the possibility of

further recovery, the Bank concludes that the balance cannot be collected. The Bank evaluates whether a balance can be collected based on the realizable value of collateral, the results of the Bank's past recovery efforts, the possibility of recovery through legal recourse and the possibility of recovery through settlement.

Impact of Economic Environment on Commercial and Consumer Loan Borrowers

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

The additions to non-performing loans remained elevated during fiscal 2017 and fiscal 2018 with gross non-performing assets ratio for the banking system increasing to 9.6% at year-end fiscal 2017 and increasing further to 11.6% at year-end fiscal 2018 as per the Reserve Bank of India's Financial Stability Report of June 2018. Economic growth moderated and challenges in the corporate sector continued. The growth in India's gross domestic product slowed down from 8.1% in fiscal 2016 to 7.1% in fiscal 2017 and 6.7% in fiscal 2018, largely due to subdued industrial growth which moderated from 9.8% in fiscal 2016 to 6.8% in fiscal 2017 and 5.5% in fiscal 2018. The slowdown in economic growth also reflected the alignment to structural reforms introduced by the Government of India, including the withdrawal of high denomination currency notes in November 2016 and the implementation of the Goods and Services Tax system in July 2017, which temporarily impacted economic activity. Further, there were significant developments with regard to the resolution of stressed assets that accelerated the additions to non-performing loans in fiscal 2018. During the six months ended September 30, 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. The Reserve Bank of India also specified higher provisions in respect of loans to these borrowers. Further, in February 2018, the Reserve Bank of India introduced a new framework for the resolution of stressed assets and withdrew the existing schemes for resolution which provided stand-still benefits in asset classification of borrowers, resulting in accelerated classification of assets under the resolution schemes of the Reserve Bank of India as non-performing. The new framework also requires banks to implement a resolution plan within 180

days in respect of any overdue account where the aggregate exposure of the lenders is Rs. 20.0 billion or more, and failing which the borrower would have to be referred for resolution under the Insolvency and Bankruptcy Code. Further, the process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving with periodic amendments being incorporated to the framework as well as litigation and judicial decisions impacting the framework. See also "*Risk Factors—Risks Relating to Our Business—If the regulatory and legal changes continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, our business will suffer*", "*Risk Factors—Risks Relating to Our Business—Our level of non-performing assets is elevated, and if the level of non-performing assets increases further and the overall quality of our loan portfolio continues to deteriorate, our business will suffer*", "*—Strategy*" and *"Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2018*".

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

Non-Performing Assets

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

	At March 31,					
	2014	2015	2016	2017	2018	
	Amount	Amount	Amount	Amount	Amount	Amount
	(in millions, except percentages)					
Consumer loans & credit card receivables[(1)]	**Rs.32,968**	**Rs.25,504**	**Rs.26,757**	**Rs.28,062**	**Rs.40,483**	**US$N22**
Rupee	32,701	25,504	26,756	28,061	40,478	622
Foreign currency	267	—	1	1	5	—
Commercial[(2)]	89,929	148,296	266,389	430,792	534,771	8,213
Rupee	61,481	99,288	155,482	228,643	285,415	4,383
Foreign currency	28,448	49,008	110,907	202,149	249,356	3,830
Leasing and related activities	97	70	70	7	7	—
Rupee	97	70	70	7	7	—
Foreign currency	—	—	—	—	—	—
Total non-performing assets	122,994	173,870	293,216	458,861	575,261	8,835
Rupee	94,279	124,862	182,308	256,711	325,900	5,005
Foreign currency	28,715	49,008	110,908	202,150	249,361	3,830
Gross non-performing assets[(3),(4)]	122,994	173,870	293,216	458,861	575,261	**8,835**
Provision for loan losses	(78,366)	(96,655)	(145,431)	(188,530)	(281,714)	(4,327)
Net non-performing assets	**Rs.L4,628**	**Rs.77,215**	**Rs.147,785**	**Rs.J70,331**	**Rs.J93,547**	**US$L,508**
Gross customer assets[(3)]	Rs.L,615,808	Rs.M,149,278	Rs.M,718,339	Rs.M,923,253	Rs.N,681,141	US$I02,613
Net customer assets	Rs.L,523,471	Rs.M,026,019	Rs.M,556,942	Rs.M,720,375	Rs.N,393,368	US$ 98,193

Gross non-performing assets as a percentage of gross customer assets	2.7	%	3.4	%	5.1	%	7.7	%	8.6	%
Net non-performing assets as a percentage of net customer assets	1.0	%	1.5	%	2.7	%	4.7	%	4.6	%

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

(2) Includes working capital finance.

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

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

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

Particulars	2014 (in millions)	2015	2016	2017	2018	2018
A. Consumer loans & credit card receivables[(2),(3)]						
Non-performing assets at the beginning of the fiscal year	Rs. L9,156	Rs. K2,968	Rs. J5,504	Rs. J6,757	Rs. 28,062	US$ L31
Addition: New non-performing assets during the year	12,759	13,030	16,979	15,940	28,777	442
Less:						
Upgrade[(4)]	(3,314)	(4,425)	(6,323)	(5,337)	(4,107)	(63)
Recoveries (excluding recoveries made from upgraded accounts)	(6,049)	(7,505)	(6,626)	(7,192)	(8,105)	(124)
Write-offs	(19,584)	(8,564)	(2,777)	(2,106)	(4,144)	(64)
Non-performing assets at the end of the fiscal year	**Rs. K2,968**	**Rs. J5,504**	**Rs. J6,757**	**Rs. J8,062**	**Rs. 40,483**	**US$ N22**

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Particulars	2014	2015	2016	2017	2018	2018
B. Commercial(5)						
Non-performing assets at the beginning of the fiscal year	Rs M7,914	Rs. 89,929	Rs. I48,296	Rs. J66,389	Rs. L30,792	US$ N,616
Addition: New non-performing assets during the year	40,839	77,915	161,423	332,341	267,192	4,104
Less:						
Upgrade(4)	(1,055)	(1,500)	(5,181)	(4,741)	(34,561)	(531)
Recoveries (excluding recoveries made from upgraded accounts)	(5,200)	(7,434)	(8,727)	(39,209)	(39,998)	(614)
Write-offs	(2,569)	(10,614)	(29,422)	(123,988)	(88,654)	(1,362)
Non-performing assets at the end of the fiscal year	**Rs. 89,929**	**Rs. I48,296**	**Rs. J66,389**	**Rs. 430,792**	**Rs. 534,771**	**US$ 8,213**
C. Leasing and related activities						
Non-performing assets at the beginning of the fiscal year	Rs. 95	Rs. 97	Rs. O0	Rs. O0	Rs. O	US$ —
Addition: New non-performing assets during the year	2	—	—	—	—	—
Less:						
Upgrade(4)	—	—	—	—	—	—
Recoveries (excluding recoveries made from upgraded accounts)	—	(27)	—	—	—	—
Write-offs	—	—	—	(63)	—	—
Non-performing assets at the end of the fiscal year	**Rs. 97**	**Rs. O0**	**Rs. O0**	**Rs. 7**	**Rs. O**	**US$ —**
D. Total non-performing assets (A+B+C)						
Non-performing assets at the beginning of the fiscal year	Rs. I07,165	Rs. 122,994	Rs. I73,870	Rs. J93,216	Rs. L58,861	US$ O,047
Addition: New non-performing assets during the year	53,600	90,945	178,402	348,281	295,969	4,546
Less:						
Upgrade(4)	(4,369)	(5,925)	(11,504)	(10,078)	(38,668)	(594)
Recoveries (excluding recoveries made from	(11,249)	(14,966)	(15,353)	(46,401)	(48,103)	(738)

upgraded accounts)						
Write-offs	(22,153)	(19,178)	(32,199)	(126,157)	(92,798)	(1,426)
Non-performing assets at the end of the fiscal year[(5)]	**Rs.122,994**	**Rs.I73,870**	**Rs.293,216**	**Rs.458,861**	**Rs.M75,261**	**US$ 8,835**

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

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

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

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

(5) Includes working capital finance.

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

	At March 31, 2014		2015		2016		2017		2018	
	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	Amount
	(in millions, except percentages)									
Retail finance[(1)]	Rs. 42,793	34.8%	Rs. 35,199	20.2%	Rs. 39,669	13.5%	Rs. 38,224	8.3 %	Rs. 50,458	US$775
Iron/steel and products	3,795	3.1	9,871	5.7	65,175	22.2	85,557	18.6	73,962	1,136
Power	654	0.5	667	0.4	17,512	6.0	63,969	13.9	105,673	1,623
Cement	300	0.2	300	0.2	—	—	53,781	11.7	—	—
Services—non finance	15,598	12.7	25,890	14.9	36,408	12.4	43,659	9.5	54,847	842

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	At March 31, 2014		2015		2016		2017	
	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets
	(in millions, except percentages)							
Mining	900	0.7	1,629	0.9	779	0.3	40,112	8.7
Construction	3,188	2.6	8,686	5.0	23,679	8.1	38,347	8.4
Roads, ports, telecom, urban development & other infrastructure	9,922	8.1	22,781	13.1	30,904	10.5	23,043	5.0
Shipping	674	0.5	15,000	8.6	19,595	6.7	14,338	3.1
Gems & jewelry	4,081	3.3	5,311	3.1	8,205	2.8	9,455	2.1
Food and beverages	7,097	5.8	6,102	3.5	6,771	2.3	8,312	1.8
Wholesale/retail trade	4,064	3.3	4,840	2.8	5,896	2.0	7,033	1.5
Crude petroleum/refining and petrochemicals	2,637	2.1	2,750	1.6	2,914	1.0	3,816	0.8
Electronics and engineering	3,406	2.8	8,775	5.0	3,796	1.3	3,329	0.7
Textile	5,078	4.1	7,204	4.1	12,059	4.1	2,913	0.6
Chemicals & fertilizers	1,737	1.4	1,791	1.0	2,053	0.7	1,151	0.3
Metal & products (excluding iron & steel)	1,350	1.1	1,719	1.0	2,102	0.7	1,081	0.2
Services—finance	569	0.5	558	0.3	523	0.2	—	—
Other Industries[2]	15,151	12.3	14,797	8.6	15,176	5.2	20,741	4.8
Gross non-performing assets	**Rs.** 122,994	100.0%	**Rs.** 173,870	100.0%	**Rs.** 293,216	100.0%	**Rs.** 458,861	100.0%
Aggregate provision for loan losses	(78,366)		(96,655)		(145,431)		(188,530)	
Net non-performing assets	**Rs.** 44,628		**Rs.** 77,215		**Rs.** 147,785		**Rs.** 270,331	

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

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

See *"—Classification of Loans —Impact of Economic Environment on Commercial and Consumer Loan Borrowers"*. See also "*Operating and Financial Review and Prospects—Executive Summary-Business environment—Trends in fiscal 2018*".

During fiscal 2018, the additions to non-performing loans remained elevated due to a slowdown in economic activity and particularly due to changes in the Reserve Bank of India's guidelines with regard to the resolution of stressed assets that accelerated the additions to non-performing loans. Further, the Reserve Bank of India introduced a new framework for the resolution of stressed assets in February 2018. The new framework withdrew the existing guidelines on restructuring of stressed assets, including strategic debt restructuring, change in ownership outside strategic debt restructuring and the scheme for sustainable structuring of stressed assets with immediate effect. Under the revised framework, the stand-still benefits in asset classification of borrower accounts where any of these schemes had been invoked but not yet implemented were withdrawn resulting in accelerated classification of assets under the resolution schemes of the Reserve Bank of India as non-performing. These developments have led to a significant increase in non-performing loans, including slippages from restructured loans, for banks, including us. It has also led to higher provisioning requirements.

The gross additions to non-performing commercial loans decreased from Rs. 332.3 billion in fiscal 2017 to Rs. 267.2 billion in fiscal 2018. During fiscal 2018, we upgraded non-performing commercial loans amounting to Rs. 34.6 billion and made recoveries of non-performing commercial loans amounting to Rs. 39.9 billion.

During fiscal 2018, commercial loans amounting to Rs. 88.7 billion were written-off as compared to Rs. 124.0 billion in fiscal 2017 based on a borrower-specific evaluation of the probability of recovery and collectability of the loans. Gross non-performing commercial loans increased from Rs. 430.8 billion at year-end fiscal 2017 to Rs. 534.8 billion at year-end fiscal 2018. Among the various sectors where the Bank has loan exposures, there was a net increase in gross non-performing assets in the mining sector by Rs. 50.4 billion, power sector by Rs. 41.7 billion, construction sector by Rs. 28.6 billion, crude petroleum/refining and petrochemicals sector by Rs. 17.9 billion, electronics and engineering sector by Rs. 12.3 billion, in the retail finance sector by Rs. 12.2 billion and in the services-non finance sector by Rs. 11.2 billion.

At year end fiscal 2016, ICICI Bank had disclosed its fund based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) to the iron and steel, mining, power, rigs and cement sectors and promoter entities internally rated below investment grade where the underlying was partly linked to these sectors, amounting to Rs. 440.7 billion. The aggregate fund based exposure and outstanding non-fund based facilities to companies that were internally rated below investment grade in the above sectors and promoter entities decreased from Rs. 440.7 billion at March 31, 2016 to Rs. 190.4 billion at March 31, 2017, which further decreased to Rs. 47.3 billion at March 31, 2018. The decrease in fiscal 2018 was on account of slippage of loans of Rs. 135.5 billion to non-performing category, a net reduction in exposure of Rs. 20.3 billion, exclusion of outstanding non-fund based facilities for borrowers classified as non-performing asset amounting to Rs. 12.3 billion and upgrade of ratings of loans of Rs. 0.2 billion, offset, in part, by a downgrade of ratings of loans of Rs. 25.2 billion.

Gross additions to non-performing consumer loans were Rs. 28.8 billion in fiscal 2018 as compared to Rs. 15.9 billion in fiscal 2017. During fiscal 2018, we upgraded non-performing consumer loans of Rs. 4.1 billion as compared to Rs. 5.3 billion in fiscal 2017. During fiscal 2018, we made recoveries against non-performing consumer loans of Rs. 8.2 billion (fiscal 2017: Rs. 7.2 billion) and written-off loans of Rs. 4.1 billion (fiscal 2017: Rs. 2.1 billion). Gross non-performing consumer loans increased from Rs. 28.1 billion at year-end fiscal 2017 to Rs. 40.5 billion at year-end fiscal 2018.

As a result of above, our gross non-performing assets increased by 25.4% from Rs. 458.9 billion at year-end fiscal 2017 to Rs. 575.3 billion at year-end fiscal 2018. Our net non-performing assets increased by 8.6% from Rs. 270.3 billion at year-end fiscal 2017 to Rs. 293.5 billion at year-end fiscal 2018. The net non-performing asset ratio marginally decreased from 4.7% at year-end fiscal 2017 to 4.6% at year-end fiscal 2018.

The total non-fund based outstanding to borrowers classified as non-performing was Rs. 29.80 billion at March 31, 2018.

Restructured Loans

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

	At March 31,					
	2014	2015	2016	2017	2018	
	Amount	Amount	Amount	Amount	Amount	Amount
	(in millions, except percentages)					
Consumer loans & credit card receivables	**Rs. J97**	**Rs. 221**	**Rs. 94**	**Rs. 168**	**Rs. 230**	**US$4**
Rupee	185	221	94	168	230	4
Foreign currency	112	—	—	—	—	—
Commercial[1]	133,151	130,566	98,580	50,687	18,349	282
Rupee	83,258	86,694	73,972	35,139	5,529	85
Foreign currency	49,893	43,872	24,608	15,548	12,820	197
Total restructured loans	133,448	130,787	98,674	50,855	18,579	285
Rupee	83,443	86,915	74,067	35,307	5,759	88
Foreign currency	50,005	43,872	24,608	15,548	12,820	197
Gross restructured loans[2]	133,448	130,787	98,674	50,855	18,579	285
Provision for loan losses	(11,235)	(9,458)	(7,581)	(3,012)	(628)	(10)
Net restructured loans	Rs. **122,213**	Rs. **121,329**	Rs. **91,093**	Rs. **47,843**	Rs. **17,951**	US$ **275**
Gross customer assets[2]	Rs. L,615,808	Rs. M,149,278	Rs. M,718,339	Rs. M,923,253	Rs. N,681,141	US$ I02,057
Net customer assets	Rs. 4,523,471	Rs. M,026,019	Rs. M,556,942	Rs. M,720,375	Rs. N,393,368	US$ 97,675

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	At March 31,				
	2014	**2015**	**2016**	**2017**	**2018**
Gross restructured loans as a percentage of gross customer assets	2.9%	2.5%	1.7%	0.9%	0.3%
Net restructured loans as a percentage of net customer assets	2.7%	2.4%	1.6%	0.8%	0.3%

(1) Includes working capital finance.

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

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

	At March 31, 2014		2015			2016		2017		20
	Amount	As a percent-age of restruc-tured loans	Amount	As a percent-age of restruc-tured loans	Amount	As a percent-age of restruc-tured loans	Amount	As a percent-age of restruc-tured loans	Amount	A
	(in millions, except percentages)									
Construction…….	Rs. I9,168	14.4%	Rs. K4,718	26.5%	Rs. K4,470	34.9%	Rs. 18,893	37.2%	Rs. N11	U
Roads, port, telecom, urban development & other infrastructure	24,214	18.1	13,580	10.4	15,090	15.3	8,271	16.3	1,103	
Power	7,879	5.9	13,378	10.2	2,080	2.1	1,296	2.5	971	
Drugs and pharmaceuticals	12,574	9.4	12,364	9.5	4,708	4.8	3,680	7.2	2,024	
Services-non finance	15,930	11.9	10,515	8.0	2,747	2.8	89	0.2	—	
Iron/steel & products	11,072	8.3	9,006	6.9	9,517	9.6	1,570	3.1	—	
Electronics & engineering	6,364	4.8	8,351	6.4	7,735	7.8	3,191	6.3	1,746	
Chemicals & fertilizers	7,196	5.4	7,737	5.9	634	0.6	367	0.7	323	
Services-finance	4,967	3.7	5,054	3.9	2,239	2.3	—	—	—	
Mining	—	—	3,502	2.7	3,936	4.0	—	—	—	

Shipping	9,688	7.3	2,270	1.7	3,033	3.1	2,799	5.5	—	
Textiles	4,435	3.3	1,845	1.4	196	0.2	218	0.4	191	
Food & beverages	1,898	1.4	1,494	1.1	2,519	2.6	886	1.7	656	
Wholesale/retail trade	1,716	1.3	1,269	1.0	—	—	—	—	—	
Metal & products (excluding iron & steel)	217	0.2	251	0.2	—	—	—	—	—	
Retail finance	297	0.2	221	0.2	94	0.1	168	0.3	158	
Manufacturing products (excluding metals)	76	0.1	202	0.2	235	0.2	384	0.8	—	
Cement	—	—	—	—	—	—	—	—	—	
Automobile (including trucks)	—	—	—	—	—	—	1,187	2.3	1,193	
Crude petroleum/refining & petrochemicals	—	—	—	—	8,114	8.2	7,856	15.4	9,603	
Others	5,757	4.3	5,030	3.8	1,327	1.3	1	0.0	—	
Gross restructured loans	**Rs.133,448**	**100 %**	**Rs.I30,787**	**100 %**	**Rs.98,674**	**100 %**	**Rs.50,855**	**100 %**	**Rs.18,579**	**U**
Aggregate provision for loan losses	(11,235)		(9,458)		(7,581)		(3,012)		(628)	
Net restructured loans	**Rs.122,213**		**Rs.121,329**		**Rs.91,093**		**Rs.47,843**		**Rs.17,951**	**U**

(1) Others primarily include real estate.

During fiscal 2018, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 2.2 billion, as compared to Rs. 6.9 billion during fiscal 2017. Further, during fiscal 2018, restructured standard loans amounting to Rs. 22.8 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 48.4 billion during fiscal 2017. Restructured loans amounting to Rs. 11.6 billion were repaid, converted into equity shares or where change in management was effected in fiscal 2018 as compared to Rs. 6.3 billion in fiscal 2017. The gross outstanding standard restructured loans decreased by 63.5% from Rs. 50.9 billion at year-end fiscal 2017 to Rs. 18.6 billion at year-end fiscal 2018 and the net outstanding restructured loans decreased by 62.5% from Rs. 47.8 billion at year-end fiscal 2017 to Rs. 18.0 billion at year-end fiscal 2018.

Further, at year-end fiscal 2018, ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 4.0 billion.

The net standard restructured loans, as a percentage of net customer assets decreased from 0.8% at year-end fiscal 2017 to 0.3% at year-end fiscal 2018. The outstanding provision on restructured loans (including the provision for funded interest) decreased from Rs. 3.0 billion at year-end fiscal 2017 to Rs. 0.6 billion at year-end fiscal 2018. *See also* "*Operating and Financial Review and Prospects—Provisions for Non-Performing Assets and Restructured Loans*".

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 84.1 billion, or 16.5%, from Rs. 509.7 billion at year-end fiscal 2017 to Rs. 593.8 billion at year-end fiscal 2018. The aggregate net non-performing assets and net restructured loans decreased by Rs. 6.7 billion, or 2.1%, from Rs. 318.2 billion at year-end fiscal 2017 to Rs. 311.5 billion at year-end fiscal 2018.

The Reserve Bank of India had issued guidelines permitting banks to refinance long-term project loans to infrastructure and other core industries at periodic intervals without such refinancing being considered as restructuring. Accordingly, the portfolio of such loans for which refinancing under the long-term project loans to infrastructure and other core industries had been implemented was Rs. 60.6 billion at March 31, 2018 out of which Rs. 21.2 billion was classified as performing loans.

At year-end fiscal 2018, the Bank had implemented the scheme for sustainable structuring of stressed assets in five standard borrower accounts with an aggregate balance outstanding of Rs. 5.5 billion, comprising Rs. 2.9 billion of sustainable debt and Rs. 2.6 billion of unsustainable debt. Of these accounts, one account with an aggregate balance outstanding of Rs. 0.2 billion had been classified as non-performing asset at March 31, 2018. The aggregate non-fund based outstanding to these borrowers was Rs. 15.0 billion at March 31, 2018. Further, the Bank has implemented the scheme for sustainable structuring of stressed assets in one non-performing asset borrower account with an aggregate balance outstanding of Rs. 2.3 billion, comprising Rs. 1.3 billion of sustainable debt (upgraded to standard) and Rs. 1.0 billion of unsustainable debt. The outstanding loans where change of ownership scheme was invoked for projects under implementation were Rs. 2.4 billion at March 31, 2018 (March 31, 2017: Nil). See also "*Supervision and Regulation—Regulations Relating to Advancing Loans*".

In fiscal 2018, we sold commercial loans made to 12 borrowers with an aggregate book value (net of provision) of Rs. 2.7 billion to asset reconstruction companies. In fiscal 2017, we sold commercial loans made to 35 borrowers with an aggregate book value (net of provision) of Rs. 37.1 billion to asset reconstruction companies. See also "*—Classification of Loans—Non-Performing Asset Strategy*".

Non-Performing Asset Strategy

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

The Bank's strategy for the resolution of stressed assets involves referring these cases for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal. The Insolvency and Bankruptcy Code, 2016, enacted in May 2016, provides for a time-bound revival and rehabilitation mechanism to resolve stressed assets. In June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. In August 2017, the Reserve Bank of India identified additional accounts and directed

banks to initiate an insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by December 31, 2017 if a resolution plan was not implemented by December 13, 2017. The Bank has referred certain non-performing borrowers for resolution under the Insolvency and Bankruptcy Code, 2016, with the National Company Law Tribunal. Further, the filing for resolution by various stakeholders, including financial creditors and any other participants as may be eligible, could 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.

In February 2018, Reserve Bank of India announced a revised framework for the resolution of stressed assets aimed at time-bound resolution of non-performing and stressed borrowers, withdrawal of earlier resolution schemes and commencement of proceedings under the Insolvency and Bankruptcy Code in respect of borrowers where a resolution satisfying specified criteria could not be achieved within a prescribed timeframe. The revised guidelines stipulate that all lenders will put in place Board-approved policies for resolution of stressed assets, including the timelines for resolution. The guidelines provide a definition of 'default' which means non-payment of debt when whole or any part or instalment of the amount of debt has become due and payable and is not repaid by the debtor or the corporate debtor, as the case may be. The guidelines stipulate that as soon as there is a default in the borrower entity's account with any lender, all lenders, either singly or jointly, shall initiate steps to cure the default. The resolution plan may include regularization of the account by payment of all over dues by the borrower entity, sale of the exposures by the lenders to other entities/investors, change in ownership, or restructuring. The residual debt in resolution plan involving restructuring or change in ownership in respect of accounts where aggregate exposure of the lenders is Rs. 1.0 billion or more should necessarily receive a minimum credit rating from one or two rating agencies depending on the size of exposure. Banks would have to implement a resolution plan within 180 days of the default date or March 1, 2018 (in case default was prior to March 31, 2018), whichever is later, in respect of accounts where aggregate exposure of the lenders is Rs. 20.0 billion or more. In case the resolution plan is not implemented, the borrower would have to be referred to the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016.

The Bank has, since April 2016, implemented enhanced internal controls, relating to review of loan accounts which satisfy certain threshold parameters, primarily relating to size, credit rating and days-past-due, for identification of non-performing assets.

Our strategy for resolution of non-performing assets includes sales of financial assets to asset reconstruction companies in exchange for receipt of securities in the form of pass-through instruments issued by asset reconstruction companies, wherein payments to holders of the securities are based on the actual realized cash flows from the transferred assets. We sold net non-performing assets to asset reconstruction companies amounting to Rs. 1.5 billion in fiscal 2014, Rs. 3.3 billion in fiscal 2015, Rs. 6.7 billion in fiscal 2016, Rs. 37.1 billion in fiscal 2017 and Rs. 2.7 billion in fiscal 2018. At year-end fiscal 2018, we had an outstanding net investment of Rs. 34.4 billion in security receipts issued by asset reconstruction companies in relation to sales of our non-performing assets. We are also permitted to sell financial assets, classified as standard assets that are overdue for more than 60 days to asset reconstruction companies in terms of the Reserve Bank of India guidelines. We sold financial assets classified as standard amounting to Rs. 3.2 billion in fiscal 2016, Rs. 5.8 billion in fiscal 2017 and Rs. 2.7 billion in fiscal 2018.

Under Indian GAAP, these instruments are valued at the net asset values as declared by the asset reconstruction companies in accordance with the Reserve Bank of India guidelines. Under U.S. GAAP, the assets we sell in exchange for security receipts are not accounted for as sales either because transfers do not qualify for sale accounting under FASB ASC Topic 860, "Transfers and servicing", or transfers were impacted by FASB ASC Subtopic 810-10, "Consolidation – overall", whereby, because the Bank is the 'primary beneficiary' of certain of these funds/trusts, it is required under U.S. GAAP to consolidate these entities. These assets are considered restructured assets under U.S. GAAP. See also "*Supervision and Regulation—Guidelines on Sale and Purchase of Non-performing Assets—Regulations relating to Sale of Assets to Asset Reconstruction Companies*".

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

U.S. banks under similar circumstances. See also “—Loan portfolio—Collateral—Completion, Perfection and Enforcement”.

Secured loans to retail customers are secured by first and exclusive liens on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. In respect of our retail loans, we adopt a standardized collection process designed to ensure prompt action for follow-up on overdue loans and recovery of defaulted amounts.

Provision for Loan Losses

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

	At March 31, 2014 (in millions)	2015	2016	2017	2018	2018
A. Consumer loans & credit card receivables [2],[3]						
Aggregate provision for loan losses at the beginning of the year	Rs. 42,642	Rs. 25,587	Rs. 16,752	Rs. 16,052	Rs. I7,209	US$ J64
Add: Provision made during the year	7,015	4,580	6,097	7,110	10,982	169
Less: Provision utilized for write-off	(19,584)	(8,609)	(2,778)	(2,106)	(1,148)	(18)
Less: Write-back of excess provision	(4,486)	(4,806)	(4,019)	(3,847)	(4,759)	(73)
Aggregate provision for loan losses at the end of the year	Rs. **J5,587**	Rs. **I6,752**	Rs. **I6,052**	Rs. **I7,209**	Rs. **J2,284**	US$ **K42**
B. Commercial [4]						
Aggregate provision for loan losses at the beginning of the year	Rs. 35,279	Rs. M2,682	Rs. O9,833	Rs. I29,309	Rs. 171,314	US$ J,632
Add: Provision made during the year	21,977	38,278	81,046	163,996	194,890	2,993
Less: Provision utilized for write-off	(2,454)	(9,107)	(26,866)	(114,415)	(86,830)	(1,333)

Less: Write-back of excess provision	(2,120)	(2,020)	(4,704)	(7,576)	(19,951)	(307)
Aggregate provision for loan losses at the end of the year	Rs. **M2,682**	Rs. **O9,833**	Rs. **I29,309**	Rs. **I71,314**	Rs. **259,423**	US$ **K,985**
C. Leasing and related activities						
Aggregate provision for loan losses at the beginning of the year	Rs. 95	Rs. 97	Rs. O0	Rs. O0	Rs. O	US$ —
Add: Provision made during the year	2	—	—	—	—	—
Less: Provision utilized for write-off	—	—	—	(63)	—	—
Less: Write-back of excess provision	—	(27)	—	—	—	—
Aggregate provision for loan losses at the end of the year	Rs. **97**	Rs. **O0**	Rs. **O0**	Rs. **O**	Rs. **7**	US$ —

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	At March 31, 2014 (in millions)	2015	2016	2017	2018	2018
D. Total provision (A+B+C)						
Aggregate provision for loan losses at the beginning of the year	Rs.O8,016	Rs.O8,366	Rs. 96,655	Rs.I45,431	Rs.188,530	US$J,896
Add: Provision made during the year	28,994	42,858	87,143	171,106	205,872	3,162
Less: Provision utilized for write-off	(22,038)	(17,716)	(29,644)	(116,584)	(87,978)	(1,351)
Less: Write-back of excess provision	(6,606)	(6,853)	(8,723)	(11,423)	(24,710)	(380)
Aggregate provision for loan losses at the end of the year	Rs.**78,366**	Rs. **96,655**	Rs.**I45,431**	Rs.**I88,530**	Rs.**281,714**	US$**L,327**

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

(2) Up to fiscal 2014, for "Credit card receivables", the difference between the opening and closing balances of aggregate provision for loan losses is included in "Add: Provision made during the year" on a net basis, except with respect to accounts written-off during the year, which were included in the "Less: Provision utilized for write-off" row.

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

(4) Includes working capital finance.

Provision for non-performing and other assets remained elevated at Rs. 147.5 billion in fiscal 2018 as compared to Rs. 157.5 billion in fiscal 2017 primarily due to higher additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, provision on certain cases referred to National Company Law Tribunal under the provisions of Insolvency and Bankruptcy Code and provisions on loan classified as non-performing in earlier years.

During the half year ended September 30, 2017, the Reserve Bank of India advised banks to initiate insolvency resolution process under the provisions of Insolvency and Bankruptcy Code for certain specific accounts. The Reserve Bank of India also required the banks to make provision at 50% of the secured portion and 100% of unsecured portion, or provision as per the extant Reserve Bank of India guideline on asset classification norms, whichever is higher. Subsequently, in April 2018, the Reserve Bank of India revised the provisioning requirements in respect of these specified cases from 50% of secured portion to 40% of secured portion at year-end fiscal 2018 and to 50% of the secured portion at three months ended June 30, 2018.

Potential problem loans

When management has doubts as to a borrower's ability to comply with loans' repayment terms, the Bank considers these loans as potential problem loans. At year-end fiscal 2018, the Bank had Rs. 108.5 billion in potential problem loans, which were not classified as non-performing or restructured assets. We closely monitor these loans and the borrowers of these loans for compliance with the loan repayment terms. We also similarly monitor past-due loans and below-investment grade loans, as discussed in Schedule 18B of the consolidated financial statements.

Subsidiaries, Associates and Joint Ventures

The following table sets forth certain information relating to our subsidiaries and joint ventures at year-end fiscal 2018.

Name	Year of formation	Activity	Ownership interest	Total income[1]	Net worth[2]	Total assets[3]
				(in millions, except percentages)		
ICICI Venture Funds Management Company Limited	January 1988	Private equity/ venture capital fund management	100.00 %	Rs. 940	Rs.J,180	Rs.K,315

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Name	Year of formation	Activity	Ownership interest		Total income[1]	Net worth[2]	Total assets[3]
					(in millions, except percentages)		
ICICI Securities Primary Dealership Limited	February 1993	Securities investment, trading and underwriting	100.00	%	11,129	9,742	172,420
ICICI Prudential Asset Management Company Limited	June 1993	Asset management company for ICICI Prudential Mutual Fund	51.00	%	18,966	8,233	11,669
ICICI Prudential Trust Limited	June 1993	Trustee company for ICICI Prudential Mutual Fund	50.80	%	5	15	15
ICICI Securities Limited	March 1995	Securities broking & merchant banking	79.22	%	18,568	8,251	28,710
ICICI International Limited	January 1996	Asset management	100.00	%	23	93	102
ICICI Trusteeship Services Limited	April 1999	Trusteeship services	100.00	%	1	7	7
ICICI Home Finance Company Limited	May 1999	Housing finance	100.00	%	9,644	16,133	102,267
ICICI Investment Management Company Limited	March 2000	Asset management	100.00	%	2	110	110
ICICI Securities Holdings Inc.	June 2000	Holding company	100.00	%	—	127	127
ICICI Securities Inc.	June 2000	Securities broking	100.00	%	253	181	301
ICICI Prudential Life Insurance Company Limited	July 2000	Life insurance	54.88	%	391,446	68,845	1,418,213
ICICI Lombard General Insurance Company Limited	October 2000	General insurance	55.92	%	151,961	52,750	297,497 4
ICICI Bank UK PLC	February 2003	Banking	100.00	%	8,226	33,028	253,163
ICICI Bank Canada	September 2003	Banking	100.00	%	9,874	27,670	319,121
ICICI Prudential Pension Fund Management Company Limited[5]	April 2009	Pension fund management	100.00	%	Rs.J5	Rs.J63	Rs.J73

(1) Total income represents gross income from operations and other income.

(2) Net worth represents share capital, share application money and reserves and surplus.

(3) Total assets represent fixed assets, advances, investments and gross current assets (including cash and bank balances).

(4) Includes share capital, share application money-pending allotment, securities premium and fair value reserve.

(5) ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.

The following table sets forth certain information on other significant entities whose results were included in the consolidated financial statements under Indian GAAP at year-end fiscal 2018.

Name	Year of formation	Activity	Ownership interest	Total income[1]	Net worth[2]	Total assets[3]
				(in millions, except percentages)		
ICICI Strategic Investments Fund[4]	February 2003	Unregistered venture capital fund	100.00 %	Rs. 16	Rs. 231	Rs. 277
I-Process Services (India) Private Limited[5]	April 2005	Services related to back end operations	19.00 %	4,608	(56)	828
NIIT Institute of Finance, Banking and Insurance Training Limited[5]	June 2006	Education and training in banking and finance	18.79 %	161	131	166
ICICI Merchant Services Private Limited[5]	July 2009	Merchant servicing	19.01 %	3,432	3,338	5,015
India Infradebt Limited[5]	October 2012	Infrastructure finance	38.09 %	6,623	9,413	83,167
India Advantage Fund-III[5].	June 2005	Venture Capital Fund	24.10 %	172	2,816	3,106
India Advantage Fund-IV[5]	August 2005	Venture Capital Fund	47.14 %	Rs. 102	Rs. 1,959	Rs. 1,969

(1) Total income represents gross income from operations and other income of the entity.

(2) Net worth represents share capital/unit capital (in case of venture capital funds) and reserves and surplus of the entity.

(3) Total assets represent fixed assets, advances, investments and gross current assets (including cash and bank balances) of the entity.

(4) This entity has been consolidated as per Accounting Standard 21 – Consolidated Financial Statements.

(5) These entities have been accounted for as per the equity method as prescribed by AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements'.

At year-end fiscal 2018, all of our subsidiaries and joint ventures were incorporated in India, except the following five companies:

- ICICI Securities Holdings Inc., incorporated in the United States;
- ICICI Securities Inc., incorporated in the United States;
- ICICI Bank UK PLC, incorporated in the United Kingdom;
- ICICI Bank Canada, incorporated in Canada;
- ICICI International Limited, incorporated in Mauritius.

ICICI Securities Holdings Inc. is a wholly owned subsidiary of ICICI Securities Limited and ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' Limited's financial statements.

Technology

We endeavor to be at the forefront of usage of technology in the financial services sector. We strive to use information technology as a strategic tool for our business operations, to gain competitive advantage and to improve our overall productivity and efficiency. We continuously invest in key technological platforms like mobility, cognitive intelligence, blockchain and other new-age technologies that provide an edge in our offerings to customers. We aim to bring in high levels of functionality in all our channels such as branches, internet banking, ATMs, mobile banking,

tablet banking which involves opening bank accounts using tablets, phone banking and Facebook banking where banking facilities are provided through a social network. At the same time, we continue to improve and strengthen security, infrastructure and networks. We continue to invest in technologies to provide a secure, superior, seamless and uniform service experience to customers across all channels. In order to enable organization-level coordinated efforts and enhance our focus on leveraging technology and capitalizing on opportunities in the digital space, we created a technology and digital group in the Bank, headed by a Chief Technology and Digital Officer, which integrates all the technology teams as well as the digital channels, business intelligence and analytics teams with a view to building strategic synergies across business groups. The technology and digital group is also responsible for incubating innovative projects and developing partnerships in the digital space.

Our technology initiatives are aimed at enhancing value, offering customers greater convenience and improved service levels while optimizing costs. Our focus on technology emphasizes:

Electronic and online channels to:

- offer easy access to our products and services;
- reduce distribution and transaction costs;
- new customer acquisition;
- enhance existing customer relationships; and
- reduce time to market.

The application of information systems for:

- increasing our customer base;
- effective marketing;
- monitoring and controlling risks;
- identifying, assessing and capitalizing on market opportunities; and
- assisting in offering improved products and services to customers.

We also seek to leverage our domestic technology capabilities in our international operations.

Technology Organization

Our technology and digital group has been created to provide an integrated technology and digital agenda for the Bank across various business groups including retail, corporate, small and medium enterprises and treasury. The group comprises a digital channels group focused on internet banking and mobile solutions, a digital partnerships group for developing partnerships with technology-driven companies, a business technology group to support core banking and other systems used by business groups, a corporate center technology group to provide technology systems used by the corporate center, markets and human resources groups, a technology infrastructure and technology management group to provide the required infrastructure, and an innovation lab that is prototyping, incubating and piloting strategic digital projects.

Banking Application Software

We use banking applications like a core banking system, loan management system, and credit card management system, all of which are flexible and scalable and allow us to serve our growing customer base. A central stand-in server helps to maintain the availability of services all days of the week, throughout the year, to the various delivery channels even if the primary systems are unavailable. Our core banking loan management and credit card management systems are flexible and scalable to serve our growing customer base. Our backup systems are strengthened to improve management and governance relating to backups.

Electronic and Online Channels

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped to differentiate our products in the marketplace. Our branch banking software is flexible and scalable and integrates seamlessly with our electronic delivery channels. At year-end fiscal 2018, we had 14,367 automated teller machines across India. Our automated teller machines have additional features such as instant fund transfer, bill payment and insurance premium payment. At year-end fiscal 2018, we had 110 fully automated Touch Banking branches that provide 24-hour simple and convenient electronic banking to customers. At these branches, customers can perform banking transactions like cash deposits, cash withdrawals, fund transfer, bill payments and enquiries relating to their accounts. Customers can also interact with our customer service staff through video-conferencing facilities at select Touch Banking branches. Our employees open new customer accounts using tablets to capture customer information digitally in order to minimize physical documents and improve efficiency in opening of new deposit accounts.

We offer a number of online banking services to our customers for both corporate and retail products and services. Our website offers a seamless and customized experience across multiple devices. It also gives differential experience to different customer segments. We enhanced our corporate banking mobile app, iBizz, with additional features and a better user interface for the benefit of our current account customers. We have eased the access to certain loan and savings products by offering them almost instantly with minimal requirements. These include providing instant credit cards, quick opening of public provident fund accounts, disbursal of personal loans through ATMs and instant overdraft for micro, small and medium enterprises. We also have a banking app for rural customers, Mera iMobile, which allows users in rural areas to avail as many as 135 services and is available in several Indian languages. Our call centers across locations at Thane and Hyderabad are operational around the clock and are equipped with multiple leading edge systems such as interactive voice response systems, automatic call distribution, computer telephony integration and voice recorders. We seek to use the latest technology in these call centers to provide an integrated customer view to the call center agents to get a complete overview of the customer's relationship with us. The database enables customer segmentation and assists the call agent in identifying and executing cross-selling opportunities. Our banking application on Facebook allows customers to access their account details, view account statements and place service requests. We also have innovative payment services on Twitter, through which customers can transfer funds while using Twitter.

We offer mobile banking services in India in line with our strategy to offer multi-channel access to our customers. This service has now been extended to all mobile telephone service providers across India and non-resident Indian customers in certain other countries where we have a presence. In recent years, we have enhanced our focus on mobile banking in view of the growing use of mobile phones for various applications. Our mobile banking application, iMobile, offers more than 165 services, which are available across all mobile platforms. The offerings integrated in the application enable the customers to enjoy the option of logging in through either their mobile pin (MPIN) or personalized username, initiate a transaction before reaching the

branch through Insta Banking, purchase insurance and mutual funds, pay taxes and avail forex services. It allows customers to directly call our call center, withdraw cash from automated teller machines without using a card, tag frequent transactions as favorites, receive alerts from Google Now and use Touch ID (from Apple) as an alternate authentication method for secured login. We have also introduced chatbots, an artificial intelligence enabled chat feature, to perform various banking activities.

Our online remittance solution is also available as a mobile application across major platforms and allows customers to track exchange rates and initiate remittance transactions. In the area of remittances, we have focused on products that can expedite money transfer and offer convenience to customers in remitting money to India. We have enhanced our remittance services, Money2India website and mobile application, for seamless experience and offer round the clock instant transfers. We have also launched a voice based international remittances and social media pay service to enable non-resident customers to send money to India.

In fiscal 2015, we launched our e-wallet called "Pockets", which is a mobile application allowing an individual to transact on any website or mobile application in India. The e-wallet allows for the transfer of funds to any email ID, mobile number, friend on Facebook and bank account, the payment of bills and the booking of tickets. We have also provided solutions in areas like urban mass rapid transit payment systems and electronic toll collection on highways and have developed exclusive cards with the convenience of automatic top-up of the balance available for transit or toll payments, thus minimizing waiting time for making such payments.

We have launched electronic toll collections and transit card solutions. We introduced transit cards for metro trains and have tied up with metro operators in Delhi, Mumbai, Hyderabad, Bengaluru and Ahmedabad. We have issued prepaid radio frequency identification tags for vehicles for electronic toll collection and have also developed a central clearing house to process the toll payments.

We have launched two digital initiatives to simplify and speed up the assessment for new home loans as well as disbursements linked to the construction stage of projects. The first initiative called 'Express Home Loans' allows online approval of home loans within eight working hours. This service is available for all salaried individuals, including non-ICICI Bank customers. The second initiative helps individuals taking home loans for under construction projects to get subsequent disbursements through our 'iLoans' mobile application.

We also launched a contactless mobile payment solution which allows cashless payments using smartphones, thereby eliminating the need to carry cash or debit and credit cards. In fiscal 2018, we hosted the second edition of the virtual mobile application development challenge called 'ICICI Appathon' tapping into the immense talent of a techno-innovative generation to bring new ideas and develop the next generation of banking applications on mobile phones. The objective is to develop next generation banking applications on mobile and the web space.

We worked closely with the National Payments Corporation of India for the development of the Unified Payment Interface, a payment platform which allows instant transfer of funds to any bank account using a virtual payment address and without requiring bank account details. The Unified Payment Interface has been promoted by us through various platforms. We introduced Unified Payment Interface in our mobile application and our digital wallet. We also enabled payment through the Bharat Interface for Money, a mobile application promoted by the government of India and built using the Unified Payment Interface. We enabled payments using the Unified Payment Interface for users of the Truecaller app in India. We launched a mobile application for merchants in India, 'Eazypay', which allows merchants to accept payments on mobile phones through multiple modes including credit/debit cards of any bank, internet banking and through our digital wallet. In fiscal 2018, we also engaged with web-based service providers like cab aggregators and an online food delivery for offering payment services using the Unified Payment Interface platform.

In fiscal 2018. we entered into a partnership with an online payment platform, to provide access to instant credit to the customers of the payment application. This is a first-of-its-kind partnership between a bank and a payments platform. We have leveraged big data based algorithms for real time credit assessment of customers, including credit bureau checks. While this is currently being offered to only our customers who are using this online payment platform, it will be eventually extended to non-ICICI Bank customers.

We have taken several steps to expedite transaction processing using technology. We have introduced software robotics, and are using over 750 software robots to perform close to two million banking transactions every working day. This has enabled us to significantly reduce our response time to our customers.

In an initiative to promote a digital culture and a less cash economy in the villages, we have undertaken a program to promote use of digital technology in the villages. This program encompasses digitization of transactions and commercial activities in the villages, besides providing credit facilities and market linkages. Through the ICICI Foundation for Inclusive Growth, we are also providing vocational training for livelihood generation in the villages. We have converted over 600 villages into digital villages under this program by March 31, 2018.

High-Speed Electronic Communications Infrastructure

We have a nationwide data communications backbone linking all our channels and offices. The network is designed for extensive reach and redundancy, which are imperative in a vast country like India.

Operations Relating to Commercial Banking for Corporate Customers

Our corporate banking back office operations are centralized and we have a business process management solution to automate our activities in the areas of trade services and general banking operations. Through integration of the workflow system with the imaging and document management system, we have achieved substantial savings and practically eliminated the use of paper for these processes. We have a comprehensive payments solution for institutional and government customers. We have an online tendering platform, supporting multiple payment modes and covering various electronic collection and payment products. Under the new goods and services tax regime introduced in July 2017, we have been authorized to collect taxes by the government of India, which will facilitate payment of taxes by corporates directly to the government. We are also building on new technologies to simplify and expedite processes. In fiscal 2017, we had executed pilot transactions in international trade finance and remittance using blockchain technology. In fiscal 2018, the Bank successfully on-boarded over 250 corporations on the blockchain platform for trade finance. We also led the creation of a consortium of public and private sector banks to digitize inland trade.

We upgraded our treasury-trading infrastructure to a state-of-the-art internet protocol telephony based architecture. We have also enhanced our existing process of automation in the treasury business, thus reducing trading risks and enhancing market competitiveness. We have centralized the processing systems of treasuries of all our overseas branches and banking subsidiaries. As a result, the processing of transactions as well as the applications used for deal entry are now centrally located and maintained in India.

Customer Relationship Management

We have implemented a customer relationship management solution for the automation of customer service requests in all key retail products. The solution helps in tracking and timely resolution of various customer queries and issues. The solution has been deployed at the phone banking call centers as well as at a large number of branches.

Data Warehousing and Data Mining

We have a data warehouse for customer data aggregation and data mining initiatives. We have implemented an enterprise application integration initiative across our retail and corporate products and services, to link various products, delivery and channel systems. This initiative follows from our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It also aims to provide us with valuable information to compile a unified customer view and creates various opportunities associated with cross-selling and upselling other financial products.

Data Centre and Disaster Recovery System

We have a data center at Hyderabad, which is designed to optimize energy efficiency and accommodate high server densities. We also have a disaster recovery data center at Jaipur. We have developed business continuity plans, which would help facilitate continuity of critical businesses in the event of a disaster. These plans are tested periodically and have been prepared in line with the guidelines issued by the Reserve Bank of India and have been approved by our Board of Directors. The Bank has created its own private cloud to enable cloud computing. The Bank has also equipped itself with state-of-the-art infrastructure management systems which leverage Internet of Things based technology at its data center for optimal utilization of energy and reduction of operational costs.

Cyber Security

We have taken a comprehensive approach pertaining to cyber security and have laid down policies, standards and guidelines addressing security against cyber threats. We have implemented a robust information and cyber security control framework by deploying several security controls including firewalls, intrusion prevention systems, a digital rights management solution, a data leakage prevention solution, an anti-email spoofing framework, mobile device management and an advanced behavior based anti-malware and dynamic URL filtering solution. We have adopted a defense-in-depth approach to protect our cyber security infrastructure. We have a dedicated in-house cyber security operations center for monitoring and handling cyber security incidents. See also "*Risk Factors—Risks Relating to Our Business—We face security risks, including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure*".

Competition

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, non-banking financial companies, new differentiated banks in the private sector such as payments banks and small finance banks, non-bank entities offering retail payments services, mutual funds and investment banks. We are the largest private sector bank in India in terms of total assets on a consolidated basis at year-end fiscal 2018. We seek to gain competitive advantage over our competitors by offering innovative products and services, using technology, building customer relationships and developing a team of highly motivated and skilled employees. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Commercial Banking Products and Services for Retail Customers

In the retail markets, competition has traditionally been from foreign and Indian commercial banks, non-banking financial companies and housing finance companies. In recent years, competition is also emerging from new types of banks that have entered the financial market such as small finance banks and payments banks and niche players like non-bank entities offering payments and remittance services.

The retail market is rapidly changing with developments in technology and innovations in mobility and digitization. This has increased the focus of Indian banks on leveraging these trends to compete effectively. Banks in India, including us, are offering products and services through multiple technology-enabled channels including mobile and internet based banking services, apart from the traditional branch network. Foreign banks have the product and

delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller customer base than Indian commercial banks. Foreign banks had 287 branches in India at March 31, 2018. Indian public sector banks have wide branch distribution networks but generally have limited technology and marketing capabilities. Private sector banks have a relatively smaller branch network but stronger technology capabilities. In addition, some specialized non-banking financial companies have increased market share in certain segments of retail banking products, including segments where banks have a presence. They have significantly expanded their network and emerged as competitors particularly in the home, vehicle and personal loans markets. We seek to compete in this market through a full product portfolio and effective distribution channels, which include new technological offerings, branches, agents, robust credit processes and collection mechanisms, and experienced professionals.

Commercial banks compete to attract retail bank deposits, historically the preferred retail savings product in India. We pursue a multi-channel distribution strategy utilizing physical branches, business correspondents, ATMs, telephone banking call centers, mobile banking, tablet banking, the internet and social media to reach customers. Further, following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to customers depending on their occupation, age and income profile. We manage to capitalize on our corporate relationships to gain individual customer accounts through payroll management products. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence present a competitive alternative to bank deposits. Competition in lending to the retail segment has increased significantly in recent years. Commercial banks, particularly private sector banks, are significantly increasing lending to retail customers due to the limited opportunities in lending to the corporate sector, thus leading to competitive pressures. We also face competition from non-banking finance companies that are lending in segments in which banks have a presence and in recent years, they have significantly expanded their network and their presence in the retail market, as commercial banks have slowed down lending due to challenging operating and recovery environment.

New banks in the private sector are also competing with us. The Reserve Bank of India granted approval to two applicants for setting up new private sector banks which began banking operations during fiscal 2016. The Reserve Bank of India has given licenses to payments banks, which includes large telecom companies and pre-paid wallet providers. Licenses have also been given to small finance banks, which include micro-finance non-banking finance companies. Ten small finance banks and six payments banks have begun operations. The Reserve Bank of India has released a discussion paper on licensing of wholesale and long-term finance banks that will largely lend to infrastructure and core industries. A discussion paper on licensing of other differentiated banks such as custodian banks is also indicated. The Reserve Bank of India has released draft guidelines in May 2016 with respect to continuous licensing policy for universal banks as compared to the earlier practice of intermittently issuing licenses. The Reserve Bank of India has also indicated that it plans to give greater access to foreign banks in the Indian market. The Reserve Bank of India released a framework for the presence of foreign banks in November 2013 and has indicated that the subsidiary route would be the preferred mode of presence for foreign banks and has proposed giving near national treatment based on the principles of reciprocity and subsidiary mode of presence. Recently, non-financial companies, particularly technology companies, are increasing their presence in the financial sector and are offering payment platforms and select services.

Commercial Banking Products and Services for Agricultural and Rural Customers

In our commercial banking operations for agricultural and rural customers, we face competition from public sector banks that have large branch networks in rural India. Other private sector banks and non-banking finance companies have also increased their focus on rural markets. We also face competition from specialized players such as rural-focused financial institutions and micro-finance companies. The Reserve Bank of India has issued licenses to specialized small finance banks, which have higher directed lending targets compared to banks and will compete in the rural and unorganized sectors. We seek to compete in this business based on our product strategy, technological capabilities and having multiple channels.

Commercial Banking Products and Services for Corporate Customers

In products and services for corporate customers, the public sector banks have an advantage considering their strong corporate relationships and long association with corporate financing. Public sector banks and certain private sector banks also have a traditional competitive advantage with respect to the government banking segment. In recent years, the corporate sector has been facing significant challenges which has led to a slowdown in lending to the sector by public sector banks. Private sector banks have, however, continued to increase their credit to corporate customers. We seek to compete in this segment based on our service and prompt turnaround time that we believe are significantly faster than public sector banks. We offer customized financial solutions to customers based on the changing macro-economic landscape. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities. Traditionally, foreign banks have been active in providing treasury-related products and services, trade finance, fee-based services and other short term financing products to top-tier Indian corporations. We compete with foreign banks in cross-border trade finance based

on our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and leverage our balance sheet size, wider branch network, strong technology capabilities and our international presence to compete in treasury-related products and services.

Other new private sector banks will also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, we believe that our size, capital base, strong corporate relationships, wider geographical reach and ability to use technology to provide innovative, value-added products and services provide us with a competitive edge.

In project finance, our competitors are Indian banks and non-bank financial institutions. In recent years, the Indian banking sector has been facing challenges in project financing, particularly to the infrastructure sector, due to a rise in defaults by borrowers which has led to a significant increase in non-performing loans for the banking sector, including us. Several borrower accounts are under resolution and have been referred under the Insolvency and Bankruptcy Code. There are uncertainties with regard to the resolution and recovery in these loan accounts. Going forward, we intend to remain cautious in lending to projects.

Commercial Banking Products and Services for International Customers

Our international strategy is focused on India-linked opportunities. In our international operations, we face competition from Indian public sector banks with overseas operations, foreign banks with products and services

targeted at non-resident Indians and Indian businesses and other service providers such as remittance services. Foreign banks have become more competitive in providing financing to Indian businesses leveraging their strength of access to lower cost foreign currency funds. We are seeking to position ourselves as an Indian bank offering globally-benchmarked products and services with an extensive distribution network in India to gain competitive advantage. We seek to leverage our technology capabilities developed in our domestic businesses to offer convenience and efficient services to our international customers. We also seek to leverage our strong relationships with Indian corporations in our international business.

Insurance and Asset Management

Our insurance and asset management businesses face competition from existing dominant public sector players as well as new private sector players. We believe that ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company have built strong product, distribution and risk management capabilities, achieving strong market positions in their respective businesses. We believe that the ability to leverage ICICI Bank's retail franchise and distribution network is a key competitive advantage for our insurance and asset management subsidiaries.

Employees

At year-end fiscal 2018, we had 112,360 employees, including sales executives, employees on fixed term contracts and interns, compared to 107,971 employees at year-end fiscal 2017 and 97,132 employees at year-end fiscal 2016. Of these, 82,724 employees were employed by ICICI Bank at year-end fiscal 2018 (at year-end fiscal 2017: 82,841). Of our 112,360 employees at year-end fiscal 2018, approximately 51,019 were professionally qualified, holding degrees in management, accountancy, engineering, law, computer science, economics or banking.

We dedicate a significant amount of senior management time to ensuring that employees remain highly motivated and are aligned to the organization's core employee proposition. Employee compensation is linked to performance and we encourage the involvement of our employees in the overall performance and profitability of the Bank. Performance appraisal and talent management systems have been instrumental in assisting management in career development and succession planning. Management believes that it has good working relationships with its employees.

ICICI Bank has an employee stock option scheme to encourage and retain high-performing employees. Pursuant to the employee stock option scheme, up to 10.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock options entitle eligible employees to apply for equity shares. Pursuant to Securities and Exchange Board of India (Share Based Employee Benefits)

Regulations, 2014, options are granted by the Board Governance, Remuneration & Nomination Committee and noted by the Board.

The eligibility of each employee is determined based on an evaluation including the employee's work performance and potential. ICICI Bank pays performance linked retention pay to its front-line employees and junior management and performance bonus to its middle and senior management. Performance linked retention pay aims to reward front-line and junior managers mainly on the basis of skill maturity attained through experience and continuity in role which is a key differentiator for customer services. ICICI Bank also pays variable pay to sales officers and relationship manager in wealth management roles while monitoring that such pay-outs are in accordance with the compensation-related guidelines of the Reserve Bank of India. The Bank uses a higher proportion of variable pay at senior levels and lower variable pay at front-line staff and junior management levels. The quantum of bonus for an employee does not exceed a certain percentage of the total fixed pay in a year. Within this percentage, if the bonus exceeds a predefined percentage of the fixed pay, a part of the bonus is deferred and paid over a period. The deferred portion is subject to malus, under which ICICI Bank would prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence, breach of integrity or in the event of reasonable evidence of deterioration in financial performance. In such cases, variable pay already paid out is subject to claw-back arrangements. See also "*Management—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme*".

ICICI Bank has training centers, where various training programs designed to meet the changing skill requirements of its employees are conducted. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training centers regularly offer courses conducted by faculty, both national and international, drawn from industry, academia and

ICICI Bank's own organization. Training programs are also conducted for developing functional as well as managerial skills. Products and operations training are also conducted through web-based training modules.

In addition to basic compensation, employees of ICICI Bank are eligible to receive loans from ICICI Bank at subsidized rates and to participate in its provident fund and other employee benefit plans. The provident fund, to which both ICICI Bank and its employees contribute a defined amount, is a savings scheme, required by government regulation, under which ICICI Bank at present is required to pay to employees a minimum annual return as specified from time to time, which was specified at 8.55% for fiscal 2018. If such return is not generated internally by the fund, ICICI Bank is liable for the difference. ICICI Bank has also set up a superannuation fund to which it contributes defined amounts. The employees have been given an option to opt out of the superannuation fund and in such cases the defined amounts are paid as part of monthly salary. In addition, ICICI Bank contributes specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

The following table sets forth, at the dates indicated, the number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities.

	At March 31,					
	2016		2017		2018	
	Number	% of total	Number	% of total	Number	% of total
ICICI Bank Limited	74,096	76.3	82,841	76.7	82,724	73.6
ICICI Prudential Life Insurance Company Limited	10,706	11.0	12,437	11.5	15,819	14.1
ICICI Lombard General Insurance Company Limited	6,427	6.6	6,460	6.0	6,855	6.1
ICICI Home Finance Company Limited[2]	515	0.5	287	0.3	332	0.3
ICICI Prudential Asset Management Company Limited	1,184	1.2	1,476	1.4	1,913	1.7
ICICI Securities Limited	3,676	3.8	3,925	3.6	4,189	3.7
ICICI Securities Primary Dealership Limited	77	0.1	76	0.1	76	0.1
Others	451	0.5	469	0.4	452	0.4
Total number of employees[1]	97,132	100.0	107,971	100.0	112,360	100.0

(1) Includes interns, sales executives and employees on fixed-term contract totaling 1,286 at year-end fiscal 2018, 1,850 at year-end fiscal 2017 and 2,070 at year-end fiscal 2016.

(2) All employees are deputed from ICICI Bank.

Properties

Our registered office is located at ICICI Bank Tower, Near Chakli Circle, Old Padra Road, Vadodara 390 007, Gujarat, India. Our corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India.

ICICI Bank had a principal network consisting of 4,867 branches and 14,367 ATMs at March 31, 2018 compared to 4,850 branches and 13,882 ATMs at March 31, 2017. These facilities are located throughout India. In addition to branches, extension counters and ATMs, ICICI Bank has 45 controlling or administrative offices, including our registered office at Vadodara and our corporate headquarters at Mumbai, 66 processing centers and 36 currency chests. At March 31, 2018, we had branches in Bahrain, Dubai International Financial Centre, Hong Kong, Qatar Financial Centre, Singapore, Sri Lanka, the United States, South Africa, China and representative offices in the United Arab Emirates, Bangladesh, Indonesia, and Malaysia. We also provide residential facilities to employees. At March 31, 2018, we owned 788 apartments for providing residential facilities to our employees.

Legal and Regulatory Proceedings

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. We are involved in a number of legal proceedings and regulatory relationships in the ordinary course of our business, some of which have resulted in penalties imposed on and paid by us in the past.

The following penalties were imposed and paid by us in the past:

- In June 2013, the Reserve Bank of India imposed a penalty of Rs. 10 million on ICICI Bank, along with penalties on other banks in India, pursuant to its investigation following a sting operation by a news website on branches of Indian banks and insurance companies.

- In September 2013, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 0.5 million on ICICI Lombard General Insurance Company Limited, along with penalties on other general insurers in India, for not meeting the mandatory target in respect of declined risk pool for fiscal 2013.

- In July 2014, the Reserve Bank of India imposed a penalty on 12 Indian banks including us following its scrutiny of the loan and current accounts of one corporate borrower with these banks. The penalty imposed on us was Rs. 4 million.

- In October 2014, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 5 million on ICICI Lombard General Insurance Company Limited following the on-site inspection conducted in August 2010 on market conduct and financial condition of the company.

- In December 2014, the Reserve Bank of India imposed penalties on two Indian banks, including us, for non-compliance with the Know Your Customer/Anti Money Laundering directions/guidelines issued by the Reserve Bank of India in respect of fraudulent opening of fictitious accounts with certain banks. The penalty imposed on us was Rs. 5 million.

- In February 2015, a penalty was imposed on several banks including ICICI Bank by the Financial Intelligence Unit, India for failure in reporting of attempted suspicious transactions, with respect to the incidents concerning the media sting operation in June 2013. The Bank was levied a penalty of Rs. 1.4 million which we had paid and filed an appeal against the penalty with the Appellate Tribunal. In June 2017, the Appellate Tribunal ruled that the penalty was not sustainable. The Tribunal asked the appellant banks to be careful and report such matters in future. See also "*—Risk Management—Anti-Money Laundering Controls*".

- In September 2015, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 1 million on ICICI Lombard General Insurance Company Limited after an on-site inspection on Government sponsored schemes conducted during February, 2014.

- In October 2015, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 0.5 million on ICICI Prudential Life Insurance Company Limited for payments made directly to employees of outsourced entity over and above agreed contract terms and conditions.

- In March 2017, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 2 million on ICICI Prudential Life Insurance Company Limited for non-compliance with certain regulations/guidelines issued by the Insurance Regulatory and Development Authority of India towards marketing support fees and expenses, payouts to corporate agents and rewards and recognition programs for distribution partners.

- In October 2017, the Reserve Bank of India advised ICICI Securities Primary Dealership Limited to pay a penalty of Rs. 12,637 for having availed the liquidity support in excess of the limit. ICICI Securities Primary Dealership Limited has requested the Reserve Bank of India to reconsider the penalty levied on it.

- In November 2017, an overseas regulator imposed a total sum of SGD 0.8 million (Rs. 38.2 million) for non-adherence of rules under Anti-Money Laundering regulations at one of ICICI Bank's overseas branches, resulting from regulatory inspection conducted in 2013 and subsequently, pursuant to a consultant's review of records, relating to the period of May 2012 to April 2014.

- In March 2018, the Reserve Bank of India imposed a monetary penalty of Rs. 589 million on ICICI Bank for non-compliance with directions/guidelines issued by the Reserve Bank of India. This penalty

has been imposed in exercise of powers vested in the Reserve Bank of India under the provisions of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949.

At year-end fiscal 2018, our contingent tax liability was assessed at an aggregate of Rs. 70.7 billion, mainly pertaining to income tax, service tax and sales tax/value added tax demands by the government of India's tax authorities for past years. We have appealed against each of these tax demands. The tax related inquiries by the tax authorities are not included in contingent liabilities as we believe that such proceedings are likely to be either dropped by the tax authorities or will not be upheld by judicial authorities. Based on consultation with counsel and favorable decisions in our own and other similar cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their tax assessments and, accordingly, we have not provided for these tax demands at year-end fiscal 2018. Disputed tax issues that are classified as remote are not disclosed as contingent liabilities by us.

Of the contingent tax liability of Rs. 70.7 billion:

- Rs. 57.6 billion related to appeals filed by us or the tax authorities with respect to assessments mainly pertaining to income tax, and interest tax, where we were relying on favorable precedent decisions of the appellate court and expert opinions. The key disputed liabilities were:

- Rs. 21.9 billion related to whether interest expenses can be attributed to earning tax-exempt income. We believe that no interest can be allocated as there are no borrowings earmarked for investments in shares/tax free bonds and our interest free funds are sufficient to cover investments in the underlying tax free securities. We have relied on favorable opinion from counsel and past decisions by the appellate in similar cases;

- Rs. 17.7 billion related to the disallowance of mark-to-market losses on derivative transactions treated by the tax authorities as notional losses. We have relied on favorable opinion from counsel and favorable appellate decisions in similar cases, which had allowed the deduction of mark-to-market losses from business income;

- Rs. 3.9 billion related to the disallowance of depreciation claims on leased assets by the tax authorities, by treating the lease transactions as loan transactions. We have relied on a favorable opinion from the counsel and favorable appellate decisions in the Bank's own case and other similar cases;

- Rs. 1.5 billion related to taxability of amounts withdrawn from the special reserve. ICICI Bank had maintained two special reserve accounts, which included a special reserve created up to assessment year fiscal 1998. Withdrawals from the account were assessed as taxable by the tax authorities for the assessment years fiscal 1999 to fiscal 2001. We have received favorable orders in respect of these assessment years, however these are subject to further appeal by the income tax department;

- Rs. 2.3 billion related to the disallowance of broken period interest paid on purchase of government securities considering it as capital in nature since the same have been classified under held-to-maturity category by us. We have relied on favorable appellate decisions in Bank's own case and other similar cases;

- Rs. 2.0 billion related to the disallowance of interest paid on perpetual bonds as it does not qualify as a borrowing and interest paid on these bonds is not admissible as a deduction. We have relied on a favorable opinion from legal counsel in this regard;

- Rs. 2.8 billion related to the disallowance of written-off amounts for credit cards for claiming bad debt write-offs. It was disallowed on the ground that the credit card business is neither a banking business nor pertaining to money lending and hence did not fulfill conditions for claim of bad debt write-off. We have relied on a favorable opinion from legal counsel in this regard.

- Rs. 10.0 billion was in respect of service tax matters. Of the total demand, Rs. 3.1 billion pertained to the Bank mainly relating to interest charged on liquidity facilities provided to trusts holding securitized loan portfolios, inter-change fee received by the Bank as an issuing bank on card transactions, amount received as subvention income from dealer/manufacturer for interest forgone by the Bank, amount paid

as foreign bank charges in case of import and export transactions, and disallowance of input credit availed for service tax on insurance premium along with penalty thereon. An amount of Rs. 1.5 billion pertained to our life insurance subsidiary for levying service tax on surrender/foreclosure charges under unit linked insurance plans/life insurance plans, Rs. 3.9 billion pertained to the general insurance subsidiary for disallowance of service tax input credit on payments made to automobile dealers; Rs. 1.0 billion pertains to venture capital funds in respect of retention of contribution received by the fund being treated as fees received in lieu of management services rendered by them, and Rs. 0.3 billion pertains to ICICI Venture Funds Management Company Limited for levy of service tax on the income received from investment in venture capital units, by treating the same as performance fees received. The balance amount of Rs. 0.2 billion pertained to other entities. We believe that the tax authorities would not be able to substantiate the above tax demands.

- Rs. 3.1 billion mainly pertained to value added tax on disposal of repossessed assets, sales tax on inter-state/import leases by various state government authorities in respect of lease transactions entered into by the Bank, and bullion-related matters where we are relying on favorable opinions from the counsel. Of the total demand, Rs. 1.4 billion pertains to value added tax on disposal of repossessed assets, where we are relying on a favorable opinion from the counsel in this regard as the Bank was only a facilitator for the disposal of repossessed assets for the recovery of the loan amount due from the borrower and could not be regarded as a seller of repossessed assets. The other disputed issues mainly pertain to tax on inter-state/import leases by various state government authorities in respect of lease transactions entered into by the Bank and bullion related matters pertaining to procedural issues like submission of statutory forms.

Based on judicial precedents in our own and other cases, and upon consultation with the tax counsel, the management believes that it is more likely that our tax position will be sustained and accordingly, no provision has been made in the accounts.

The above contingent liability does not include Rs. 33.7 billion, considered as remote. Of the total disputed tax demands classified as remote, Rs. 29.3 billion mainly pertained to the deduction of bad debts and levy of penalties, which were covered by favorable Supreme Court of India decisions in other cases and Rs. 4.4 billion pertained to short credit of taxes paid. Therefore, they were not required to be disclosed as contingent liability. The consequence of inquiries initiated by the tax authorities were not quantified, as we believe that such proceedings were likely to be dropped by the tax authorities or would not be upheld by judicial authorities.

A number of litigations and claims against ICICI Bank and its directors are pending in various forums. The claims on ICICI Bank mainly arise in connection with civil cases involving allegations of service deficiencies, property or labor disputes, fraudulent transactions, economic offences and other cases filed in the normal course of business. We are also subject to counterclaims arising in connection with our enforcement of contracts and loans. A provision is created where an unfavorable outcome is deemed probable and in respect of which a reliable estimate can be made. In view of the inherent unpredictability of litigation and for cases where the claim amount sought is substantial, the actual cost of resolving litigations may be substantially different from the provision held.

We held a total provision of Rs. 303 million at year-end fiscal 2018 for 382 cases with claims totaling to approximately Rs. 5.9 billion, where an unfavorable outcome was deemed probable and in respect of which a reliable estimate could be made.

For cases where an unfavorable outcome is deemed to be reasonably possible but not probable, the amount of claims is included in contingent liabilities. At year-end fiscal 2018, such claims amounted to a total of Rs. 647 million relating to 103 cases. It was not possible to estimate the possible loss or range of possible losses for these cases due to the nature of the cases and other external factors. For cases where the possibility of an unfavorable outcome is deemed remote, we have not made a provision, nor have we included the amount of the claims in these cases in contingent liabilities.

In some instances, civil litigants have named our directors as co-defendants in lawsuits against ICICI Bank. There were 217 such cases at year-end fiscal 2018.

Management believes, based on consultation with counsel, that the claims and counterclaims filed against us in the above legal proceedings are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or liquidity. Based on a review of other

litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our financial position, results of operations or cash flows.

At year-end fiscal 2018, there were 73 ongoing litigations (including those where the likelihood of our incurring liability is assessed as "probable", "possible" and "remote"), each involving a claim of Rs. 10 million or more, with an aggregate amount of approximately Rs. 92.9 billion (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). The following are 6 litigations where the amounts claimed are Rs. 1.0 billion or higher:

- The promoters and promoter group entities of Kingfisher Airlines Limited have filed a suit in the Bombay High Court against 19 lenders who had provided credit facilities to Kingfisher Airlines Limited seeking to declare void the corporate guarantee given by one of the entities to the lenders and restrain the lenders from acting in furtherance of the corporate guarantee as well as a personal guarantee of the promoter and invocation of pledge of shares held by the lenders, and claiming damages of Rs. 32.0 billion from the lenders towards sums invested by the promoter group in Kingfisher Airlines Limited. The Bombay High Court has not granted any interim relief restraining lenders from acting in furtherance of the invocation of pledge. ICICI Bank had assigned its exposure to Kingfisher Airlines Limited to a third party in September 2012 and thereby ceased to be a lender to the company. The cause of action for the suit arose subsequent to that date, and the securities mentioned in the suit were not securities held by ICICI Bank even when it was a lender to the company. Consequently, ICICI Bank believes the suit against it is not maintainable and has filed its written statement. The matter is pending before the court.

- In 1999, we filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for the recovery of amounts totalling Rs. 169 million due from Esslon Synthetics Limited. In May 2001, the guarantor filed a counterclaim for an amount of Rs. 1.0 billion against us and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. Esslon Synthetics Limited filed an application to amend the counterclaim in January 2004. We have filed our reply to the application for amendment. The guarantor has also filed an interim application on the grounds that certain documents have not been exhibited, to which we have filed our reply stating that the required documents are neither relevant nor necessary for adjudicating the dispute between the parties. In the meantime, the Industrial Development Bank of India has challenged the order of the Debt Recovery Tribunal, Delhi, whereby the Debt Recovery Tribunal allowed LML Limited to be included in the list of parties. The Debt Recovery Appellate Tribunal, Delhi has passed an interim stay order against the Debt Recovery Tribunal proceedings. In the liquidation proceeding before the High Court at Allahabad, the official liquidator attached to the Allahabad High Court sold the assets of Esslon Synthetics for Rs. 61 million in November 2002. We have filed our claim with the official liquidator attached to the Allahabad High Court for our dues. The official liquidator has informed us that the claim of the Bank has been allowed and that the amount payable to the Bank is Rs. 12 million. We have filed an affidavit before the official liquidator for disbursement of the amount and the official liquidator has released Rs. 9 million to the Bank and the balance amount will be disbursed after finalization of amounts due to the employees of Esslon Synthetics by the Company court. Further, the guarantor has filed an insolvency proceeding before the insolvency court which is currently being opposed by the lenders including ICICI Bank. The matter is pending.

- UIC Udyog (the borrower) had availed loans from a consortium of banks including ICICI Bank. Subsequently, the loan of the borrower was restructured. However, the borrower failed to adhere to the terms and conditions of the restructuring plan and the restructuring package to the borrower was withdrawn by banks. ICICI Bank thereafter initiated recovery proceedings against the borrower by enforcing security against the loan. The matter is pending before the debt recovery tribunal. Further, the borrower has also filed a suit, claiming a total amount of Rs. 5.3 billion from the consortium banks, alleging that the banks did not, among other things, abide by the terms and conditions of the loan arrangement resulting in the losses to the borrower.

- ICICI Bank classified the loan given to Essar Power Jharkhand Limited as non-performing asset and recalled the facilities on August 1, 2017. Further, ICICI Bank invoked the corporate guarantees provided by Essar Global Fund Limited, Essar Energy Limited and Essar Power Limited on August 11, 2017. Upon invocation of the corporate guarantees, Essar Energy Limited filed a suit in the Bombay High Court against ICICI Bank and Essar Power Jharkhand Limited disputing the validity of the

corporate guarantee and seeking damages from ICICI Bank amounting to Rs. 42.3 billion. The matter is pending before the court.

- A personal loan borrower filed a complaint before Banking Ombudsman, Mumbai aggrieved with the return of equated monthly instalment for a personal loan availed by the borrower from ICICI Bank claiming Rs. 5.0 billion. The matter was closed in April 2018 and the Bank reversed the service charges amounting to Rs. 610 and paid an amount of Rs. 3,000 as service gesture.

- Certain investors of a real estate investment fund, registered in Mauritius, which is an investor in a real estate fund in India managed by ICICI Venture Funds Management Company Limited, a wholly owned subsidiary of ICICI Bank, have filed a petition in the Supreme Court of Mauritius against ICICI Venture Funds Management Company, the trustee and administrators of the fund and ICICI Bank alleging mis-selling and mismanagement of the Fund, and have claimed damages of US$ 103.6 million. All the respondents to the petition, including the Bank and its subsidiary, have denied and rebutted the allegations and countered the petition. The preliminary objections raised by the respondents with respect to jurisdiction, maintainability, procedural errors in the petition etc. are yet to be disposed of.

We or our employees may be subject to regulatory investigations or enforcement proceedings in multiple jurisdictions in a variety of contexts. We have also experienced international expansion into banking in multiple jurisdictions which exposes us to a variety of regulatory and business challenges and risks, including cross-cultural risk, and which increased the complexity of our risks in a number of areas including currency risks, interest rate risks, compliance risk, regulatory risk, reputational risk and operational risk. Despite our best efforts at regulatory compliance and internal controls, we, or our employees, may from time to time, and as is common in the financial services industry, be the subject of confidential enquiries, examinations or investigations that might, or might not, lead to proceedings against us or our employees. In any such situation it is our policy to conduct an internal enquiry, co-operate with the regulatory authorities and, where appropriate, suspend or discipline employees, including terminating their services.

In response to two instances of whistleblower complaints and/or allegations in the media, the Audit Committee has initiated two investigation/enquiry. In each case, the subject of the investigation/enquiry is also the subject of one or more regulatory enquiries or investigations.

First, the Audit Committee of the Bank under direction given by the Board of Directors has instituted an independent enquiry, headed by a former Supreme Court Judge, Hon'ble Mr. Justice B. N. Srikrishna (Retd.), to consider various allegations relating to the MD and CEO, Ms. Chanda Kochhar. The allegations have been levelled against Ms. Kochhar through media articles, a whistleblower complaint and complaints written by a private individual to senior government officials and regulators. The allegations include nepotism, quid pro quo and claims that Ms. Kochhar, by not disclosing conflicts of interest caused by certain transactions between certain borrowers of the Bank and entities controlled by Ms. Kochhar's spouse, committed infractions under applicable regulations and the Bank's Code of Conduct.

The independent enquiry is supported by an independent law firm and a forensic firm. The independent enquiry is under way.

In addition, SEBI issued a show-cause notice to Ms. Kochhar and to the Bank in May 2018 related to the allegations. The Bank is in the process of responding to the relevant allegations in the notice which pertain to the Bank. The Central Bureau of Investigation also initiated a preliminary enquiry against various individuals and firms including unknown officers and/or officials of the Bank.

Ms. Kochhar is on a leave of absence while the independent enquiry takes place. In the interim, Mr. Sandeep Bakhshi has been appointed as Chief Operating Officer, subject to approval of the Reserve Bank of India, and reports directly to the Board of Directors during her absence.

See also "*Risk Factors—Risks Relating to Our Business—The Audit Committee of the Bank has instituted an independent enquiry, headed by a former Supreme Court Judge, to consider various allegations relating to the MD and CEO, Ms. Chanda Kochhar. Ms. Kochhar is on a leave of absence pending the outcome of the independent enquiry*".

Second, the Bank became aware in March 2018 of an anonymous whistleblower complaint alleging incorrect asset classifications stemming from claimed irregular transactions in borrower accounts, incorrect

accounting of interest income and non-performing asset recoveries as fees, and overvaluation of collateral securing corporate loans. The allegations related to fiscal 2016 and earlier. The Bank conducted an internal enquiry of these allegations under its Whistle Blower Policy, which was carried out by the Head of the Internal Audit Group and supervised directly by the Audit Committee, without the involvement of any other member of the Bank's senior management. The enquiry resulted in an Interim Report that was reviewed in detail by the Audit Committee and the statutory auditors before the finalization of the accounts for the year ended March 31, 2018 and has been submitted to the Reserve Bank of India. In certain accounts, transactions were observed that may have delayed the classification of the account as non-performing in earlier years. Further, the Bank has reviewed certain additional accounts for any similar irregular transactions as alleged in the complaint. Based on the Interim Report and review undertaken for additional loan accounts, the Bank has concluded that the likely impact of these allegations is not material to the financial statements for the year ended March 31, 2018 or earlier periods reported in this annual report. The Bank has, since April 2016, implemented enhanced internal controls, relating to review of loan accounts which satisfy certain threshold parameters, primarily relating to size, credit rating and days-past-due, for identification of non-performing assets. The Bank also assessed and concluded that internal control over financial reporting was found to be effective as at March 31, 2018. The Bank, at the direction of the Audit Committee and with the assistance of external counsel, is continuing to investigate all of the allegations made by the whistleblower.

In addition, as a large and internationally active bank with operations and listing of its equity and debt instruments in multiple jurisdictions, the Bank is regularly engaged with regulators, including the United States Securities and Exchange Commission ("SEC"), on a range of matters, including regarding the March 2018 complaint. Even before this complaint, the Bank has been responding to requests for information from the SEC investigatory staff regarding an enquiry relating to the timing and amount of the Bank's loan impairment provisions taken under U.S. GAAP. The Bank evaluates loans for impairment under U.S. GAAP for the purpose of preparing the annual footnote reconciling the Bank's Indian GAAP financial statements to U.S. GAAP. The Bank has voluntarily complied with all requests of the SEC investigatory staff for information and interviews related to the Bank's U.S. GAAP loan impairment process.

See also "*Risk Factors—Risks Relating to Our Business—We are investigating certain allegations made in an anonymous whistleblower complaint that the Bank incorrectly classified certain assets due to claimed irregular transactions in borrower accounts, incorrectly accounted for interest income and non-performing asset recoveries as fees, and improperly valued loan collateral*".

In July 2018, our asset management company subsidiary received a letter from Securities and Exchange Board of India advising that it would be required to pay Rs. 2.4 billion, together with interest at 15% per annum, to five schemes of ICICI Prudential Mutual Fund, in connection with shares allotted to these schemes in the initial public offering of ICICI Securities Limited in March 2018. In addition, our asset management company subsidiary would be required to compensate the investors in these schemes, who have redeemed their units, for losses incurred since the March 2018 allotment, plus interest at 15% per annum. Our asset management company subsidiary is working towards closure of the matter.

See also “*Risk Factors—Risks Relating to Our Business— Our asset management, insurance and securities subsidiaries are subject to extensive regulation and supervision which can lead to increased costs or additional restrictions on their activities that adversely impact the Bank”*.

We cannot predict the timing or form of any future regulatory or law enforcement initiatives, which we note are increasingly common for international banks, but we would expect to co-operate with any such regulatory investigation or proceeding.

American Depository Receipt Fees and Payments

Fees and Charges Payable by Holders of our ADSs

The fees and charges payable by holders of our ADSs include the following:

i) a fee not in excess of US$ 0.05 per ADS is charged for each issuance of ADSs including issuances resulting from distributions of shares, share dividends, share splits, bonuses and rights distributions;

ii) a fee not in excess of US$ 0.05 per ADS is charged for each surrender of ADSs in exchange for the underlying deposited securities;

iii) a fee for the distribution of the deposited securities pursuant to the deposit agreement, such fee being an amount equal to the fee for the execution and delivery of ADSs referred to in item (i) above which would have been charged as a result of the deposit of such securities, but which securities were instead distributed by the depositary, Deutsche Bank Trust Company Americas, to ADR holders.

Additionally, under the terms of our deposit agreement, the depositary is entitled to charge each registered holder the following:

i) taxes and other governmental charges incurred by the depositary or the custodian on any ADS or an equity share underlying an ADS including any applicable penalties thereon;

ii) transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities, including those of a central depository for securities (where applicable);

iii) any cable, telex, facsimile transmission and delivery expenses incurred by the depositary; and

iv) customary expenses incurred by the depositary in the conversion of foreign currency, including, without limitation, expenses incurred on behalf of registered holders in connection with compliance with foreign exchange control restrictions and other applicable regulatory requirements, together with all expenses, transfer and registration fees, taxes, duties, governmental or other charges payable by the Depositary.

In the case of cash distributions, fees, if applicable, are generally deducted from the cash being distributed. Other fees may be collected from holders of ADSs in a manner determined by the depositary with respect to ADSs registered in the name of investors (whether certificated or in book-entry form) and ADSs held in brokerage and custodian accounts (via DTC). In the case of distributions other than cash (i.e., stock dividends, etc.), the depositary charges the applicable ADS record date holder concurrently with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in book-entry form), the depositary sends invoices to the applicable record date ADS holders.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Bank may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

Fees and Other Payments Made by the Depositary

In fiscal 2018, we agreed to an amendment to an agreement previously entered into with the Depositary, Deutsche Bank Trust Company Americas in fiscal 2012. Under this amended agreement, the Depositary pays certain amounts to us and waives fees and expenses for services provided in exchange for the Deutsche Bank Trust Company Americas acting as the Depositary for the ADR program. We may use these payments to cover annual expenses incurred by the Bank towards investor relations or other expenses directly related to the ongoing maintenance of the ADR program. The amount of payment to us is generally tied to the amount of fees the depository collects from ADR holders, with certain exceptions. Under certain circumstances, including the removal of Deutsche Bank Trust Company Americas as

Depositary or termination of the ADR program, we are required to repay to Deutsche Bank Trust Company Americas an amount equal to the payments made to us in prior periods to the extent that such payments have not been recovered from the issuance and dividend fees collected by the Depositary in prior periods. During fiscal 2018, we received approximately US$ 1.1 million relating to the ADR program.

Selected Consolidated Financial and Operating Data

The following discussion and tables are based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements included in this annual report. For selected financial data in accordance with U.S. GAAP, see "—Selected U.S. GAAP Financial Data".

Certain re-classifications have been made in the financial statements for prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP, including the Accounting Standards issued by the Institute of Chartered Accountants of India and guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority of India and the National Housing Bank as applicable to ICICI Bank and specific subsidiaries and joint ventures.

The consolidated financial statements for fiscal 2014 were audited by S.R. Batliboi & Co. LLP, Chartered Accountants, and for fiscal 2015 through 2018 by B S R & Co. LLP, Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India. The consolidated financial statements for fiscal 2014 through 2018 have also been audited by KPMG, an independent registered public accounting firm in India, in accordance with the auditing standards of the United States Public Company Accounting Oversight Board. Our published Indian GAAP consolidated financial statements and disclosures relating to U.S. GAAP net income reconciliation and stockholders' equity reconciliation as required by U.S Securities and Exchange Commission and applicable GAAP, audited by KPMG, are set forth at the end of this annual report.

Our annual report, prepared and distributed to our shareholders under Indian law and regulations, includes consolidated as well as unconsolidated Indian GAAP financial statements and analysis of our results of operations and financial condition based on unconsolidated Indian GAAP financial statements.

You should read the following data with the more detailed information contained in "Operating and Financial Review and Prospects" and our consolidated financial statements. Historical results do not necessarily predict our results in the future.

Operating Results Data

The following table sets forth, for the periods indicated, our operating results data.

	Year ended March 31,					
	2014	2015	2016	2017	2018	2018[1]
	(in millions, except per common share data)					
Selected income statement data:						
Interest income[2]	Rs.494,792	Rs.549,640	Rs.592,937	Rs.609,399	Rs.621,623	US$9,547
Interest expense	(297,106)	(323,182)	(339,965)	(348,358)	(342,620)	(5,262)
Net interest income	197,686	226,458	252,972	261,041	279,003	4,285
Non-interest income	300,846	352,523	421,021	524,577	568,068	8,725
Net total income	498,532	578,981	673,993	785,618	847,071	13,010
Non-interest expenses						
Payments to and provisions for employees	(59,688)	(65,683)	(69,123)	(78,933)	(83,335)	(1,280)
Expenses pertaining to insurance business	(162,367)	(191,640)	(232,710)	(276,982)	(336,374)	(5,166)
Other operating expenses[3]	(84,608)	(92,905)	(106,062)	(125,785)	(137,847)	(2,117)
Total non-interest expenses	(306,663)	(350,228)	(407,895)	(481,700)	(557,556)	(8,563)
Operating profit before provisions	191,869	228,753	266,098	303,918	289,515	4,447
Provisions and contingencies	(29,003)	(45,363)	(123,054)	(165,825)	(179,730)	(2,760)
Profit before tax	162,866	183,390	143,044	138,093	109,785	1,687
Provision for tax	(46,095)	(53,967)	(33,775)	(24,690)	(18,789)	(289)
Profit after tax	116,771	129,423	109,269	113,403	90,996	1,398

	Year ended March 31,					
	2014	**2015**	**2016**	**2017**	**2018**	**2018[1]**
	(in millions, except per common share data)					
Minority interest	(6,357)	(6,954)	(7,469)	(11,519)	(13,874)	(214)
Net profit	**Rs. 110,414**	**Rs. 122,469**	**Rs. 101,800**	**Rs. 101,884**	**Rs. 77,122**	**US$ 1,184**
Per common share:						
Earnings-basic[4] [8] [9]	Rs. 17.39	Rs. 19.24	Rs. 15.94	Rs. 15.92	Rs. 12.02	US$ 0.18
Earnings-diluted[5] [8] [9]	17.30	19.04	15.83	15.84	11.89	0.18
Dividend[6] [8]	4.60	5.00	5.00	2.50	1.50	0.02
Book value[6] [7] [8] [9]	118.64	130.10	139.18	154.37	159.77	2.45
Equity shares outstanding at the end of the period (in millions of equity shares) [8]	6,352	6,377	6,396	6,407	6,428	
Weighted average equity shares outstanding - basic (in millions of equity shares) [8] [9]	6,349	6,364	6,388	6,401	6,417	
Weighted average equity shares outstanding – diluted (in millions of equity shares) [8] [9]	6,374	6,426	6,424	6,427	6,482	

(1) Rupee amounts for fiscal 2018 have been translated into U.S. dollars using the exchange rate of Rs. 65.11 = US$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2018.

(2) Interest income includes interest on rupee and foreign currency loans and advances (including bills) and hire purchase receivables and gains/(losses) on sell-down of loans of ICICI Bank. Interest income also includes interest on income tax refunds of Rs. 2.0 billion, Rs. 2.8 billion, Rs. 3.3 billion, Rs. 4.5 billion and Rs. 2.8 billion for fiscal 2014, 2015, 2016, 2017 and 2018 respectively.

(3) Includes depreciation on fixed assets and other general office expenses.

(4) Earnings per share is computed based on the weighted average number of shares and represents net profit/(loss) per share before dilutive impact.

(5) Earnings per share is computed based on the weighted average number of shares and represents net profit/(loss) per share adjusted for full dilution. Options to purchase 80,713,710, 58,973,970, 105,867,630, 136,021,078 and 98,589,014 equity shares granted to employees at a weighted average exercise price of Rs. 188.4, Rs. 226.0, Rs. 250.9, Rs. 244.4 and Rs. 246.1 were outstanding at year-end fiscal 2014, 2015, 2016, 2017 and 2018 respectively,

but were not included in the computation of diluted earnings per share as these options were anti-dilutive.

(6) In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 4.60 per equity share for fiscal 2014, which was paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which was paid in fiscal 2016. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which was paid in fiscal 2017. We declared a dividend of Rs. 2.50 per equity share for fiscal 2017, which was paid in fiscal 2018. The dividend per equity share is based on the total amount of dividends declared for the year, exclusive of dividend distribution tax. We declared a dividend of Rs. 1.50 per equity share for fiscal 2018, which will be paid in fiscal 2019 subject to the approval of shareholders in the forthcoming annual general meeting. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for this dividend in the financial statements for fiscal 2018.

(7) Represents equity share capital, employees' stock options outstanding and reserves and surplus reduced by deferred tax asset and goodwill.

(8) The shareholders of the Bank approved the sub-division of one equity share of Rs. 10 into five equity shares having a face value of Rs. 2 each. The record date for the sub-division was December 5, 2014. Face value and number of shares have been re-stated and related ratios re-computed for all the previous periods presented to reflect the sub-division.

(9) The shareholders of the Bank approved the issue of bonus shares of Rs. 2 each in the proportion of 1:10, i.e. 1 (one) bonus equity share of Rs. 2 each for every 10 (ten) fully paid-up equity shares held (including shares underlying ADS), through postal ballot on June 12, 2017. Accordingly, the Bank issued 582,984,544 equity shares as bonus shares during the three months ended June 30, 2017. The number of shares have been re-stated and related ratios re-computed for all the previous periods presented.

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period. The average balances are the sum of daily average balances outstanding except for the average balances of overseas branches of ICICI Bank which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances.

	Year ended March 31,				
	2014	2015	2016	2017	2018
Selected income statement data:					
Interest income	7.05 %	7.16 %	7.00 %	6.52 %	6.18 %
Interest expense	(4.23)	(4.21)	(4.01)	(3.73)	(3.41)
Net interest income	2.82	2.95	2.99	2.79	2.77
Non-interest income	4.28	4.59	4.97	5.62	5.65
Total income	7.10	7.54	7.95	8.41	8.42
Payments to and provisions for employees	(0.85)	(0.86)	(0.82)	(0.85)	(0.83)
Expenses pertaining to insurance business	(2.31)	(2.50)	(2.75)	(2.97)	(3.34)
Other operating expenses	(1.20)	(1.21)	(1.25)	(1.35)	(1.37)
Non-interest expenses	(4.37)	(4.56)	(4.81)	(5.16)	(5.54)
Operating profit before provisions	2.73	2.98	3.14	3.25	2.88
Provisions and contingencies	(0.41)	(0.59)	(1.45)	(1.78)	(1.79)
Profit before tax	2.32	2.39	1.69	1.48	1.09
Provision for tax	(0.66)	(0.70)	(0.40)	(0.26)	(0.19)
Profit after tax	1.66	1.69	1.29	1.21	0.91
Minority interest	(0.09)	(0.09)	(0.09)	(0.12)	(0.14)
Net profit	1.57 %	1.60 %	1.20 %	1.09 %	0.77 %

The following table sets forth, for the periods indicated, our selected financial data.

	At or for the year ended March 31,					
	2014	**2015**	**2016**	**2017**	**2018**	**2018[1]**
	(in millions, except percentages)					
Selected balance sheet data:						
Total assets	Rs. 7,470,064	Rs. 8,257,953	Rs. 9,175,270	Rs. 9,857,247	Rs. 11,242,810	US$ 172,674
Investments	2,427,901	2,743,108	2,860,441	3,043,733	3,722,077	57,166
Advances, net	3,873,418	4,384,901	4,937,291	5,153,173	5,668,542	87,061
Non-performing customer assets (gross)	122,994	173,870	293,216	458,861	575,261	8,835
Total liabilities[4]	6,705,766	7,410,907	8,234,163	8,810,927	10,136,513	155,683
Deposits	3,595,127	3,859,552	4,510,774	5,125,873	5,857,961	89,970
Borrowings	1,835,421	2,112,520	2,203,777	1,882,868	2,294,018	35,233
Equity share capital	11,550	11,597	11,632	11,651	12,858	197
Reserves and surplus[2]	752,748	835,449	929,475	1,034,669	1,093,439	16,794
Period average[3]:						

Total assets	7,021,668	7,675,783	8,474,703	9,339,862	10,061,763	154,535
Interest-earning assets	5,830,625	6,449,193	7,246,635	7,911,740	8,443,631	129,683
Advances, net	3,589,293	4,049,280	4,672,596	4,996,376	5,275,359	81,022
Total liabilities[4]	6,269,653	6,846,972	7,554,950	8,337,139	8,969,649	137,761
Interest-bearing liabilities	4,996,433	5,445,789	6,094,406	6,630,273	7,063,215	108,481
Deposits	3,175,802	3,539,500	3,940,495	4,498,174	5,038,306	77,381
Borrowings	1,820,630	1,906,290	2,153,911	2,132,099	2,024,909	31,100
Stockholders' equity	752,016	828,810	919,753	1,002,723	1,092,114	16,773
Profitability:						
Net profit as a percentage of:						
Average total assets	1.57 %	1.60 %	1.20 %	1.09 %	0.77 %	
Average stockholders' equity	14.68	14.78	11.07	10.16	7.06	
Average stockholders' equity (including preference share capital)	14.61	14.71	11.03	10.13	7.04	
Dividend payout ratio[5]	24.06	23.67	28.56	14.31	12.50	
Spread[6]	2.58	2.63	2.64	2.48	2.54	
Net interest margin[7]	3.44	3.55	3.52	3.33	3.33	
Cost-to-income ratio[8]	61.51	60.49	60.52	61.31	65.82	
Cost-to-average assets ratio[9]	4.37	4.56	4.81	5.16	5.54	
Capital[10]:						
Average stockholders' equity as a percentage of average total assets	10.71 %	10.80 %	10.85 %	10.74 %	10.85 %	
Average stockholders' equity	10.76 %	10.84 %	10.89 %	10.77 %	10.89 %	

	At or for the year ended March 31,					
	2014	2015	2016	2017	2018	2018[1]
	(in millions, except percentages)					
(including preference share capital) as a percentage of average total assets						
Asset quality:						
Net restructured assets as a percentage of net customer assets	2.70 %	2.41 %	1.64 %	0.84 %	0.28 %	
Net non-performing assets as a percentage of net customer assets[11]	0.99 %	1.54 %	2.66 %	4.73 %	4.59 %	
Provision on restructured assets as a percentage of gross restructured assets	8.42 %	7.23 %	7.68 %	5.92 %	3.38 %	
Provision on non-performing assets as a percentage of gross non-performing assets	63.72 %	55.59 %	49.60 %	41.09 %	48.97 %	
Provision as a percentage of gross customer assets[12]	2.47 %	2.89 %	3.36 %	3.86 %	4.73 %	

(1) Rupee amounts at year-end fiscal 2018 have been translated into U.S. dollars using the exchange rate of Rs. 65.11 = US$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2018.

(2) Includes balance in employee stock options outstanding which will be transferred to “Equity share capital” or “Reserves and surplus” on exercise/lapse of options.

(3) The average balances are the sum of daily average balances outstanding except for the average balances of overseas branches of ICICI Bank which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances.

(4) Includes preference share capital and minority interest, but does not include stockholders’ equity.

(5) Represents the ratio of total dividends paid on equity share capital, exclusive of dividend tax, as a percentage of net profit.

(6) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(7) Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

(8) Represents the ratio of non-interest expenses to total income. Total income represents the sum of net interest income and non-interest income.

(9) Represents the ratio of non-interest expenses to average total assets.

(10) The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2018 were: common equity Tier 1 risk-based capital ratio of 14.4%; Tier 1 risk-based capital ratio of 15.9%; and total risk-based capital ratio of 18.4%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2018 were: common equity Tier 1 risk-based capital ratio of 14.2%; Tier 1 risk-based capital ratio of 15.6%; and total risk-based capital ratio of 17.9%.

(11) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

(12) Includes general provision on standard assets.

(13) Previous period figures have been re-grouped/re-classified where necessary to conform to current period classification.

Selected U.S. GAAP Financial Data

The following table sets forth, certain selected financial data under generally accepted accounting principles adopted in the United States.

	At or for the year ended March 31,					
	2014	**2015**	**2016**	**2017**	**2018**	**2018[1]**
	(in millions other than per equity share))					
Total income[2]	Rs. 274,705	Rs. 319,924	Rs. 371,339	Rs. 436,639	Rs. 576,138	8,849
Net income/(loss) attributable to ICICI Bank's stockholders'	101,421	116,913	73,037	62,399	178,680	2,744
Total assets	6,477,911	7,127,753	7,855,336	8,243,392	9,851,035	151,298
ICICI Bank's stockholders' equity	801,882	938,253	981,675	1,034,759	1,212,771	18,626
Other comprehensive income/(loss)	2,157	46,436	44,486	63,305	42,464	652
Per equity share[3]						
Net income/(loss) from continuing operation-basic[4]	15.96	18.36	11.43	9.75	27.84	0.43
Net income/(loss) from continuing operation-diluted[5]	15.89	18.21	11.36	9.70	27.65	0.42
Dividend[6]	4.00	4.60	5.00	5.00	2.50	0.04

(1) Rupee amounts for fiscal 2018 have been translated into U.S. dollars using the exchange rate of Rs. 65.11 = US$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2018.

(2) Represents net interest income plus non-interest income.

(3) Pursuant to the issue of bonus shares by the Bank during the year-ended fiscal 2018, per equity share information has been restated for the year-end fiscal 2014, 2015, 2016 and 2017.

(4) Represents net income/(loss) before dilutive impact.

(5) Represents net income/(loss) adjusted for full dilution. Options to purchase 80,713,710, 58,973,970, 105,867,630, 136,021,078 and 98,589,014 equity shares granted to employees at a weighted average exercise price of Rs. 188.4, Rs. 226.0, Rs. 250.9, Rs. 244.4 and Rs. 246.1 were outstanding at year-end fiscal 2014, 2015, 2016 ,2017 and 2018 respectively, but were not included in the computation of diluted earnings per share as these options were anti-dilutive.

(6) In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 4.60 per equity share for fiscal 2014, which was paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which was paid in fiscal 2016. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which was paid in fiscal 2017. We declared a dividend of Rs. 2.50 per equity share for fiscal 2017, which was paid in fiscal 2018. We declared a dividend of Rs. 1.50 per equity share for fiscal 2018, which will be paid in fiscal 2019 subject to stockholders' approval. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for this dividend in the financial statements for fiscal 2018.

(7) Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements. The following discussion is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP, which varies in certain significant respects from U.S. GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional U.S. GAAP information, see notes 20 and 21 to our consolidated financial statements included herein.

Executive Summary

Introduction

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India in terms of total assets on a consolidated basis at year-end fiscal 2018. Apart from banking products and services, we offer life and general insurance, asset management, securities broking and private equity products and services through specialized subsidiaries. Our total assets at year-end fiscal 2018 were Rs. 11,242.8 billion. Our consolidated capital and reserves at year-end fiscal 2018 were Rs. 1,106.3 billion and our consolidated net profit for fiscal 2018 was Rs. 77.1 billion.

Our primary business consists of commercial banking operations for retail and corporate customers. Our commercial banking operations for retail customers consist of retail lending, deposit taking, distribution of insurance and investment products and other fee-based products and services for retail customers. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, internet, mobile phones and social media. We had a network of 4,867 branches and 14,367 ATMs in India at year-end fiscal 2018. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. We also offer agricultural and rural banking products. We earn interest and fee income from our commercial banking operations.

In our international banking operations, our primary focus is on offering products and services to persons of Indian origin, Indian businesses, select local businesses and multi-national corporations, with a focus on trade finance and commercial banking products; insured mortgage products in our Canada subsidiary; and deposit products to the larger community. ICICI Bank's overseas branches take deposits, raise borrowings and make loans to Indian companies for their overseas operations as well as for their foreign currency requirements in India, global multi-national corporations and to local corporations. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have banking subsidiaries in the United Kingdom and Canada,

branches in China, Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, Qatar Financial Centre, the United States, South Africa and Bahrain and representative offices in the United Arab Emirates, Bangladesh, Malaysia and Indonesia. Our subsidiary in the United Kingdom has established a branch in each of Antwerp, Belgium and Frankfurt, Germany.

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

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was among the leading private sector life insurance companies in India during fiscal 2018, with a market share of 11.8% based on new business written (on a retail weighted received premium basis) according to the Life Insurance Council. During fiscal 2017, ICICI Prudential Life Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited, following the sale of 12.63% out of the shares held by ICICI Bank through an offer for sale in an initial public offering. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during fiscal 2018, with a market share of 8.2% on a gross direct premium income basis according to the

General Insurance Council of India. In September 2017, ICICI Lombard General Insurance Company was listed on the National Stock Exchange of India Limited and BSE Limited following the sale of shares (including sale of 7.0% shareholding in the company by ICICI Bank) through an initial public offering. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2018 according to Association of Mutual Funds in India. We cross-sell the products of our insurance and asset management subsidiaries and other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities owns icicidirect.com, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has an operating subsidiary in the United States, ICICI Securities Inc., engaged in brokerage services. In March 2018, we sold 20.78% shareholding in ICICI Securities Limited in an initial public offer. ICICI Securities Limited was listed on the National Stock Exchange of India Limited and BSE Limited in April 2018. Our private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that make private equity investments.

Business environment

Our loan portfolio, financial condition and results of operations have been and, in the future, are expected to be influenced by economic conditions in India, global economic developments affecting the business activities of our corporate customers, such as changes in commodity prices, conditions in global financial markets, economic conditions in the United States and in foreign countries where we have a significant presence or which impact the Indian economy and global markets, and evolving global and domestic regulations. For ease of understanding the following discussion of our results of operations, you should consider these macroeconomic factors and other key developments.

Trends in fiscal 2018

Global economic growth improved during calendar year 2017, with expansion in both advanced and developing economies. According to the International Monetary Fund, global output grew by 3.9% during calendar year 2017 compared to a growth of 3.2% in calendar year 2016. The advanced economies grew by 2.3% led by the United States and the emerging and developing economies expanded by 4.8% in calendar year 2017. Other economic developments during the year included a pickup in global trade flows and a rise in global commodity prices, particularly petroleum and metal prices. There were risks of a trade war between key large economies with focus on protectionist policies increasing during the year.

The economic environment in India was characterized by two distinct phases during fiscal 2018 owing to the transition to the Goods and Services Tax system. While economic activities slowed down during the transition in the first half of fiscal 2018, there was an improvement in economic growth during the latter part of the year. India’s gross domestic product grew by 6.7% during fiscal 2018 with growth during the six months ended March 31, 2018 higher at

7.4%. Growth in fiscal 2018 was however slower compared to a 7.1% increase in fiscal 2017. As per industry-wise growth estimates on gross value added basis, the agriculture sector grew by 3.4%, the industrial sector by 5.5% and the services sector by 7.9% during fiscal 2018 compared to 6.3% growth in the agriculture sector, 6.8% in the industrial sector and 7.5% in the services sector during fiscal 2017.

Retail inflation, as measured by the Consumer Price Index, eased during the initial part of fiscal 2018 from 3.9% in March 2017 to 1.5% in June 2017, and then increased to 4.3% in March 2018. Core consumer price index inflation, excluding food and fuel products, increased from 4.9% in March 2017 to 5.4% in March 2018. Producers inflation, as measured by the Wholesale Price Index, decreased from 5.1% in March 2017 to a low of 0.9% in June 2017, and increased to 2.5% in March 2018. Average wholesale price index inflation during fiscal 2018 was 2.9% compared to 1.7% during fiscal 2017.

During fiscal 2018, the Reserve Bank of India reduced the repo rate once by 25 basis points from 6.25% to 6.00% in August 2017. Accordingly, the reverse repo rate was revised to 5.75% and the marginal standing facility rate was revised to 6.25%. The reduction in the repo rate took the cumulative decline in the repo rate since January 2015, when the policy rate reduction cycle began, to 200 basis points. The policy stance, that was changed from accommodative to neutral in February 2017, continued in fiscal 2018 due to concerns on inflation rising and a focus on maintaining inflation at close to 4.0% on a durable basis.

Trends in merchandise trade were mixed during fiscal 2018. Merchandise exports grew by 9.8% while merchandise imports grew at a faster pace by 19.6% during fiscal 2018. The growth in imports largely reflected

the pickup in oil imports and imports excluding oil and gold. This led to an increase in the trade deficit to US$ 156.8 billion in fiscal 2018 compared to a trade deficit of US$ 108.5 billion in fiscal 2017. As a result, India's current account deficit increased from US$ 15.3 billion in fiscal 2017 to US$ 48.7 billion in fiscal 2018. As a proportion of India's gross domestic product, the current account deficit increased from 0.7% in fiscal 2017 to 1.9% in fiscal 2018. Foreign direct investment inflows into India moderated to US$ 39.4 billion during fiscal 2018 compared to US$ 42.2 billion during fiscal 2017. There was a net inflow of US$ 22.2 billion from foreign portfolio investors during fiscal 2018, with a net inflow of US$ 1.62 billion in equity markets and US$ 20.55 billion in debt markets. The equity market benchmark, the S&P BSE Sensex increased by 11.3% during fiscal 2018 to close at 32,969 at end-March 2018. The Rupee remained in the range of 64 to 66 levels through fiscal 2018, and depreciated marginally from Rs. 64.9 per U.S. dollar at March 31, 2017 to Rs. 65.2 per U.S. dollar at March 31, 2018. Yields on the benchmark 10-year Government securities remained stable in the range of 6.4% to 7.0% during April-August 2017. Yields increased sharply from September 2017 and touched peak levels of 7.8% on March 5, 2018, subsequently easing to 7.4% at end-March 2018. Yields on the benchmark government securities increased sharply during the latter part of fiscal 2018 due to multiple factors including rise in global yields with a sharp increase in U.S. government treasury yields, and domestic factors including a decline in systemic liquidity and fiscal and inflation related uncertainties.

The first year retail premium underwritten in the life insurance sector (on weighted received premium basis) grew by 19.2% to Rs. 634.7 billion during fiscal 2018 compared to Rs. 532.2 billion during fiscal 2017. Gross premium of the non-life insurance sector (excluding specialized insurance institutions) grew by 18.0% to Rs. 1,415.1 billion during fiscal 2018 compared to Rs. 1,198.8 billion during fiscal 2017. The average assets under management of mutual funds increased by 26.0% from Rs. 18.3 trillion during the three months ended March 31, 2017 to Rs. 23.0 trillion for the three months ended March 31, 2018.

With regard to trends in banking, deposit and credit growth in fiscal 2018 reflected the impact of the surge in deposits and moderation in credit during fiscal 2017 following the withdrawal of legal tender status of Specified Bank Notes in November 2016. During fiscal 2018, banking system deposit growth moderated from 11.3% year-on-year at March 31, 2017 to 6.2% at March 30, 2018. There was a net increase of Rs. 6.7 trillion in total deposits in the banking system during the year. Growth in demand deposits moderated from 18.9% year-on-year at March 31, 2017 to 6.9% at March 30, 2018. Term deposit growth moderated from 10.3% year-on-year at March 31, 2017 to 6.1% at March 30, 2018. Non-food credit growth picked up gradually during fiscal 2018 to 10.2% year-on-year at March 30, 2018 compared to a growth of 5.2% at March 31, 2017. Based on sector-wise credit deployment data, credit growth in the services sector was 13.8%, retail 17.8%, agriculture 3.8% and industry 0.7% year-on-year at March 30, 2018. The banking system continued to experience stress on corporate asset quality. According to the Reserve Bank of India's Financial Stability Report, the gross non-performing assets ratio for the banking system increased from 7.8% at March 31, 2016 to 9.6% at March 31, 2017 and further to 11.6% at March 31, 2018. Total stressed loans (defined as non-performing loans and standard restructured advances) for the banking system increased from 11.7% at March 31, 2016 to 12.5% at March 31, 2018. In October 2017, the Government of India announced a recapitalization package of Rs. 2.1 trillion for public sector banks. The recapitalization package included budgetary provisions of Rs. 181.4 billion, recapitalization bonds of Rs. 1.4 trillion and capital raising by banks. During fiscal 2018, the Government of India infused over Rs. 880 billion of capital in public sector banks.

During fiscal 2018, significant steps were taken towards the resolution of stressed assets and provisioning by banks towards these assets. To facilitate the timely resolution of stressed assets, the Banking Regulation (Amendment)

Ordinance, 2017 was promulgated in May 2017. The Banking Regulation (Amendment) Ordinance amended section 35A of the Banking Regulation Act, 1949 and inserted two new sections 35AA and 35AB. The Reserve Bank of India was authorized to intervene and instruct banks to resolve specific stressed assets and initiate insolvency resolution process where required. The Reserve Bank of India was also empowered to issue other directions for resolution, and could appoint authorities or committees to advise banks on the resolution of stressed assets. Subsequently, to facilitate timely decision making under the Joint Lenders' Forum, the Reserve Bank of India issued guidelines directing banks to adhere to timelines and implement any resolution plan approved by 60.0% of the creditors by value and 50% of the creditors by number at the Joint Lenders' Forum. The guidelines were made binding on all members. The Overseeing Committee, that was set up to oversee resolution under the Scheme for Sustainable Structuring of Stressed Assets, was reconstituted and expanded and the scope of cases to be referred to the Overseeing Committee was also extended to cases other than under the Scheme for Sustainable Structuring of Stressed Assets and having aggregate banking system exposure greater than Rs. 5.0 billion.

In June 2017, the Reserve Bank of India issued directions to banks to file for resolution under the Insolvency and Bankruptcy Code with the National Company Law Tribunal in respect of 12 large stressed accounts. In August 2017, the Reserve Bank of India identified additional accounts and directed banks to initiate an insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by December 31, 2017 if a resolution plan, where the residual debt was rated investment grade by two external credit rating agencies, was not implemented by December 13, 2017. The Reserve Bank of India directed banks to make a provision for the identified cases to the extent of 50.0% of the secured portion and 100.0% of the unsecured portion of the outstanding loans or the provisions required as per the existing guidelines of the Reserve Bank of India, whichever is higher, by March 31, 2018. The provision requirement was later revised from 50.0% on secured portion of debt to 40.0% by March 2018 and 50.0% by June 30, 2018.

In November 2017, an ordinance amending the Insolvency and Bankruptcy Code, 2016 was promulgated, to prevent wilful defaulters and promoters of entities classified as non-performing from bidding for the assets of a company under a resolution plan. The newly included Section 29A of the ordinance made certain persons, including wilful defaulters and those who had their accounts classified as non-performing assets for one year or more, ineligible to be a resolution applicant under a resolution plan. The amendments were later approved by Parliament and enacted in January 2018.

In February 2018, the Reserve Bank of India announced a revised framework for the resolution of stressed assets aimed at time-bound resolution of non-performing and stressed borrowers. The framework withdrew the earlier resolution schemes (including the related stand-still benefits in asset classification of borrower accounts) like the Strategic Debt Restructuring, Change in Ownership of Borrowing Entities Outside Strategic Debt Restructuring Scheme and the Scheme for Sustainable Structuring of Stressed Assets. The guideline also requires commencement of proceedings under the Insolvency and Bankruptcy Code in respect of borrowers where a resolution satisfying specified criteria could not be achieved within a prescribed timeframe. According to the guidelines, banks would have to implement a resolution plan within 180 days in respect of any overdue account where aggregate exposure of the lenders is Rs. 20.0 billion or more and is in default on or after March 1, 2018. For any default in a borrower account after March 1, 2018, the resolution plan would have to be implemented within 180 days from the first instance of default by the borrower. In the event the resolution plan is not implemented within the stipulated timeline, the borrower would have to be referred to the National Company Law Tribunal under the Insolvency and Bankruptcy Code. The resolution plan should necessarily have a minimum credit rating from one or two rating agencies depending on the size of exposure. The earlier schemes of regulatory forbearance including Strategic Debt Restructuring, Change in Ownership of Borrowing Entities Outside Strategic Debt Restructuring and the Scheme for Sustainable Structuring of Stressed Assets were withdrawn and the Joint Lenders' Forum was discontinued.

The Bank has, since April 2016, implemented enhanced internal controls, relating to review of loan accounts which satisfy certain threshold parameters, primarily relating to size, credit rating and days-past-due, for identification of non-performing assets.

Other key regulatory developments during the year were as follows:

- The Reserve Bank of India deferred the implementation of Indian Accounting Standards (Ind AS), which largely converges the Indian accounting standards with International Financial Reporting Standards, for banks by one year from April 1, 2018 to April 1, 2019.

- In view of the sharp increase in government bond yields during the second half of fiscal 2018, the Reserve Bank of India allowed banks to spread provisioning for mark-to-market losses on investments held in the available-for-sale and held-for-trading categories for the quarters ended December 31, 2017 and March 31, 2018 equally over up to four quarters, commencing with the quarter in which the loss is incurred.

- With the aim of building adequate reserves to protect against sudden increase in yields, the Reserve Bank of India advised banks to create an Investment Fluctuation Reserve from fiscal 2019. A minimum amount equal to either the net profit on sale of investments during the year or net profit for the year excluding mandatory appropriations, whichever is lower, would have to be transferred to the Investment Fluctuation Reserve. The amount in the Investment Fluctuation Reserve should cover at least 2.0% of the held-for-trading and available-for-sale portfolio, on a continuing basis. Where feasible, this requirement should be achieved within a period of three years. The Investment Fluctuation Reserve would be eligible for inclusion in tier 2 capital. In case the balance in the Investment Fluctuation Reserve is in excess of the minimum requirement of 2.0% of the held-for-trading and available-for-sale portfolio, banks can drawdown the excess amount at the end of the accounting year. If the balance is less than the minimum requirement, drawdown would be permitted only on meeting the minimum common equity tier 1/tier 1 capital requirements but cannot exceed the

extent by which mark-to-market provisions surpass the net profit on sale of investments during the year.

- With regard to reserve requirements to be held by banks, the cash reserve ratio was maintained at 4.0% of net demand and time liabilities during fiscal 2018. The statutory liquidity ratio was reduced by 100 basis points with a 50 basis points reduction from 20.5% of net demand and time liabilities to 20.0% effective from the fortnight of June 24, 2017 and a further 50 basis points reduction to 19.5% of net demand and time liabilities from the fortnight starting October 14, 2017. The Reserve Bank of India also reduced the ceiling on statutory liquidity ratio holdings under the held-to-maturity category from 20.5% to 20.0% by December 2017 and further to 19.5% by March 31, 2018.

- An internal study group report of the Reserve Bank of India dated September 25, 2017 proposed that all floating rate loans extended from April 1, 2018 to be referenced to an external benchmark. The Group also suggested that the periodicity of resetting the interest rates be once a quarter and that banks should migrate all existing lending rates to the new benchmark without any additional charges for switchover within one year from the introduction of the external benchmark. The Reserve Bank of India has yet to issue the necessary instructions/guidelines in this regard. Further, in February 2018, the Reserve Bank of India proposed to harmonize the methodology of determining benchmark rates by linking the base rate to the marginal cost based lending rate. Final instructions/guidelines in this regard are awaited.

- The Reserve Bank of India rationalized the merchant discount rate for debit card transactions. Key changes include categorization of merchants on the basis of turnover, differentiated merchant discount rate for QR-code based transactions and ceiling on maximum permissible merchant discount rate. This is effective from January 1, 2018.

Business overview

While assessing our performance, we monitor key financial variables such as movement in yield on assets, cost of funds and net interest margin, movement in fee income, cost ratios, loan loss provisions and return on assets and equity. We also monitor key business indicators such as deposit growth, funding mix, loan disbursements and loan delinquency trends. We also analyze changes in economic indicators such as interest rates, liquidity and exchange rates. In addition to these indicators, we monitor other non-financial indicators such as quality of customer service and the extent and nature of customer complaints and estimates of market share in key product lines.

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

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

The additions to non-performing loans remained elevated during fiscal 2017 and fiscal 2018 as economic activity moderated and challenges in the corporate sector continued due to limited private sector investment activity and the slow pace of resolution of stressed borrowers. The growth in India’s gross domestic product slowed down from 8.1% in fiscal 2016 to 7.1% in fiscal 2017 and 6.7% in fiscal 2018, largely due to subdued industrial growth which moderated from 9.8% in fiscal 2016 to 6.8% in fiscal 2017 and 5.5% during fiscal 2018.

The slowdown in economic growth also reflected the alignment to structural reforms introduced by the Government of India, including the withdrawal of high denomination currency notes in November 2016 and the implementation of the Goods and Services Tax system in July 2017, which temporarily disrupted economic activity. During fiscal 2018, 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 also specified higher provisions in respect of loans to these borrowers. Further, the Reserve Bank of India introduced a new framework for the resolution of stressed assets and withdrew the existing schemes for resolution, resulting in accelerated classification of assets under the resolution schemes of the Reserve Bank of India as non-performing. The new framework also requires banks to implement a resolution plan within 180 days in respect of any overdue account where aggregate exposure of the lenders is Rs. 20.0 billion or more and is in default on or after March 1, 2018. For any default in a borrower account after March 1, 2018, the resolution plan would have to be implemented within 180 days from the first instance of default by the borrower. In the event the resolution plan is not implemented within the stipulated timeline, the borrower would have to be referred for resolution under the Insolvency and Bankruptcy Code. Further, the process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving with periodic amendments being incorporated to the framework as well as litigation and judicial decisions impacting the framework.

Should one or more of these borrowers go into liquidation, the provisioning requirement and credit loss on these loans could result in further increase in provisions.

See also "*—Executive Summary—Business environment—Trends in fiscal 2018*".

There has been a gradual improvement in credit growth and a moderation in deposit growth during fiscal 2018. This has been due to the base effect of a decline in credit and surge in deposits during fiscal 2017 following the Government of India's decision to withdraw high denomination currency notes in November 2016. We have focused on sustaining the improvements in our deposit profile. In general, trends in systemic liquidity, interest rates and inflation influence deposit growth, especially with respect to low cost savings and current account deposits. Our ability to grow our low cost deposit base may be impacted by increasing competition for such deposits from existing banks and new entrants. The slowdown in fresh corporate investments and new infrastructure projects have continued to impact our related fee income revenue streams. We have continued our focus on driving momentum in retail lending while adopting a selective approach to corporate lending, in order to improve the portfolio mix and quality. We have also focused on maintaining and enhancing our customer franchise and achieving cost efficiency, including by leveraging technology.

A discussion of our financial performance in fiscal 2018 is given below:

Operating profit before provisions decreased by 4.7% from Rs. 303.9 billion in fiscal 2017 to Rs. 289.5 billion in fiscal 2018 primarily due to an increase in non-interest expenses, offset, in part, by an increase in non-interest income

and net interest income.

Net interest income increased by 6.9% from Rs. 261.0 billion in fiscal 2017 to Rs. 279.0 billion in fiscal 2018, reflecting an increase of 6.7% in the average volume of interest-earning assets. Net interest margin remained stable at 3.33% in fiscal 2017 and fiscal 2018.

Non-interest income increased by 8.3% from Rs. 524.6 billion in fiscal 2017 to Rs. 568.1 billion in fiscal 2018 primarily due to an increase in net earned premium and other operating income relating to insurance business and commission, exchange and brokerage income, offset, in part, by a decrease in income from treasury-related activities. Premium and other operating income relating to insurance business increased by 18.1% from Rs. 312.0 billion in fiscal 2017 to Rs. 368.6 billion in fiscal 2018 primarily reflecting an increase in business volume. Commission, exchange and brokerage income increased by 16.9% from Rs. 96.3 billion in fiscal 2017 to Rs. 112.6 billion in fiscal 2018. Income from treasury-related activities decreased from Rs. 114.4 billion in fiscal 2017 to Rs. 83.9 billion in fiscal 2018, primarily due to a decrease in realized gain on government securities and other fixed income positions. In fiscal 2018, we made a net gain of Rs. 17.1 billion on sale of equity shares of ICICI Lombard General Insurance Company Limited and a net gain of Rs. 32.1 billion on sale of equity shares of ICICI Securities Limited through an initial public offer. In fiscal 2017, we made a net gain of Rs. 51.3 billion on sale of equity shares of ICICI Prudential Life Insurance Company Limited through an initial public offer.

Non-interest expenses increased by 15.7% from Rs. 481.7 billion in fiscal 2017 to Rs. 557.6 billion in fiscal 2018, primarily due to an increase in expenses pertaining to insurance business and other operating expenses.

Provisions and contingencies (excluding provision for tax) increased by 8.4% from Rs. 165.8 billion in fiscal 2017 to Rs. 179.7 billion in fiscal 2018. The Indian corporate sector has experienced several challenges in recent years following a phase of significant expansion in investment in the infrastructure and industrial sectors during fiscal 2010 and 2011. These challenges included delays in project implementation, issues assessing raw materials, low demand and global commodity price cycles. As a result, there has been a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans, into non-performing status since fiscal 2016 for the banking sector and the Bank. Gross additions to the non-performing assets in fiscal 2018 were Rs. 296.0 billion (fiscal 2017: Rs. 348.3 billion). The additions to non-performing assets during fiscal 2018 included the impact of revised framework for the resolution of stressed assets issued by the Reserve Bank of India in February 2018, which withdrew the schemes of strategic debt restructuring, change in ownership outside strategic debt restructuring and the scheme for sustainable structuring of stressed assets resulting in classification of loans under these schemes, which were not implemented, as non-performing. Gross non-performing assets (net of write-offs) increased from Rs. 458.9 billion at year-end fiscal 2017 to Rs. 575.3 billion at year-end fiscal 2018. Net non-performing assets increased from Rs. 270.3 billion at year-end fiscal 2017 to Rs. 293.5 billion at year-end fiscal 2018. The net non-performing assets ratio decreased from 4.7% at year-end fiscal 2017 to 4.6% at year-end fiscal 2018.

The income tax expense decreased by 23.9% from Rs. 24.7 billion in fiscal 2017 to Rs. 18.8 billion in fiscal 2018 primarily due to a lower effective tax rate in fiscal 2018, primarily reflecting the composition of income.

As a result of the above, the profit after tax decreased by 24.3% from Rs. 101.9 billion in fiscal 2017 to Rs. 77.1 billion in fiscal 2018.

Net worth (equity share capital and reserves and surplus) increased from Rs. 1,046.3 billion at year-end fiscal 2017 to Rs. 1,106.3 billion at year-end fiscal 2018 primarily due to accretion to reserves from profit for the year. Total assets increased by 14.1% from Rs. 9,857.2 billion at year-end fiscal 2017 to Rs. 11,242.8 billion at year-end fiscal 2018. Total deposits increased by 14.3% from Rs. 5,125.9 billion at year-end fiscal 2017 to Rs. 5,858.0 billion at year-end fiscal 2018. Savings account deposits increased by 16.9% from Rs. 1,790.1 billion at year-end fiscal 2017 to Rs. 2,092.9 billion at year-end fiscal 2018. Current account deposits increased by 19.0% from Rs. 767.9 billion at year-end fiscal 2017 to Rs. 913.7 billion at year-end fiscal 2018. The current account and savings account ratio (ratio of current account and savings account deposits to total deposits) increased from 49.9% at year-end fiscal 2017 to 51.3% at year-end fiscal 2018. Total advances increased by 10.0% from Rs. 5,153.2 billion at year-end fiscal 2017 to Rs. 5,668.5 billion at year-end fiscal 2018. Our retail advances increased by 19.3% from Rs. 2,689.6 billion at year-end fiscal 2017 to Rs. 3,207.9 billion at year-end fiscal 2018.

ICICI Bank had a branch network of 4,867 branches at year-end fiscal 2018 and an ATM network of 14,367 ATMs at year-end fiscal 2018.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2018 were: common equity Tier 1 risk-based capital ratio of 14.4%; Tier 1 risk-based capital ratio of 15.9% and total risk-based capital ratio of 18.4%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2018 were: common equity Tier 1 risk-based capital ratio of 14.2%; Tier 1 risk-based capital ratio of 15.6%; and total risk-based capital ratio of 17.9%.

Business outlook

Growth in India's gross domestic product had recovered from 6.2% in fiscal 2014 to 7.0% in fiscal 2015 and further to 8.1% in fiscal 2016. Growth in fiscal 2017, however, declined to 7.1% and further to 6.7% in fiscal 2018 primarily due to a slowdown in growth in the industrial sector. However, there was an improvement in growth in the industrial sector during the latter part of fiscal 2018, reflecting in an improvement in overall growth. Growth in India's gross domestic product, which was 6.0% during the six months ended September 30, 2017, improved to 7.4% during the six months ended March 31, 2018. Other macroeconomic parameters remained stable for the most part of fiscal 2018, supported by moderate inflation and a relatively stable exchange rate. However, the increase in crude oil prices towards the later part of fiscal 2018 created uncertainties due to the increase in India's current account deficit and pressure on the exchange rate. During fiscal 2018, credit growth in the Indian banking system improved while deposit growth slowed down, reflecting

the impact of the Government's decision to withdraw high denomination currency notes in the previous year. The increase in the level of non-performing loans continued in fiscal 2018 due to slow progress in the resolution of stress in loan accounts. Further, the Reserve Bank of India introduced a new framework for the resolution of stressed assets and withdrew the existing schemes for resolution, resulting in accelerated classification of assets under the resolution schemes of the Reserve Bank of India as non-performing. See also "*Risk Factors—Risks Relating to India and other Economic and Market Risks—A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer*".

The operating environment for the Indian corporate sector is gradually improving, with signs of a pickup in economic growth emerging towards the later part of fiscal 2018. There has been an improvement in demand conditions in the global and domestic economy. The increase in the prices of key commodities like metals has improved the outlook for commodity-linked sectors like steel. Capacity utilization in key manufacturing sectors has also improved. However, a sharp increase in global crude oil prices could create challenges and a prolonged period of high crude oil prices could have an adverse impact on India's current account deficit, fiscal deficit, inflation and exchange rate for the rupee. During the three months ended June 30, 2018, the rupee depreciated by 5.1% against the U.S. dollar from Rs. 65.11 per US$1.00 to Rs. 68.46 per US$1.00 mainly due to global uncertainties arising from trade-related issues between key economies, a rise in global oil prices and volatilities in the global financial markets. Considering the risks to inflation due to the revised formula for minimum support price, the increase in house rent allowances by state governments and the volatility in crude oil prices, domestic interest rates could increase going forward.

Lending opportunities for banks have remained limited with a focus on higher rated corporates and the retail segment for incremental credit. Competitive pressures in lending to these segments are impacting pricing and the net interest income of banks. Further, pricing of loans has been impacted by the introduction of the marginal cost of funds based lending rate, which has led to re-pricing of loans to a lower rate compared to the earlier base rate based lending rate. While there is an improvement in the economic environment, corporate sector challenges continue particularly with regard to the resolution of stress in loan accounts. We expect the resolution of some large cases referred under the Insolvency and Bankruptcy Code to be concluded in fiscal 2019. While we believe the Insolvency and Bankruptcy Code provides significant long-term benefits, there is uncertainty in the near term regarding the impact of resolution of these borrowers and whether such resolution will be achieved which may result in higher provisions and credit losses for banks, including us.

Over the medium term, we see favorable prospects for the Indian economy. The Government and the Reserve Bank of India have announced measures to address the stress in the Indian banking system, including capital infusion in public sector banks. The Government has also announced several policy initiatives in the areas of foreign investments, promoting manufacturing, efficiency of government services, fiscal consolidation and long-term projects for improving infrastructure. Structural reforms like the implementation of the Goods and Services Tax have been introduced. Recognizing the reform measures taken by the Government of India towards stronger long-term growth, Moody's upgraded India's sovereign rating from Baa3 to Baa2 in November 2017. We expect India's strong domestic consumption and investment drivers to continue to support healthy rates of growth. Increasing household incomes and consumption are expected to lead to opportunities in retail savings, investment and loan products, significant industrial and infrastructure investment potential to lead to opportunities in project and corporate finance, and increasing global linkages to lead to opportunities in international banking for Indian corporations and non-resident Indians.

In the life insurance sector, the new business retail weighted premium for the industry increased by 19.2% during fiscal 2018 compared to growth of 20.7% during fiscal 2017. The private sector life insurance companies saw a growth of 24.3% in fiscal 2018 compared to a growth of 26.4% in fiscal 2017 on new business retail weighted premium basis. In the general insurance sector gross direct premium income grew by 18.0% in fiscal 2018. See also "*Business—Overview of Our Products and Services—Insurance*".

Considering the challenges in the operating environment, we have over the years re-balanced our deposit profile, improved cost efficiency, scaled up retail loan growth, calibrated corporate loan growth and maintained high capital adequacy ratios. Our strategic priorities going forward will be to focus on risk calibrated profitable growth. Our priority will be on growing the retail portfolio with a focus on enhancing the customer franchise. We intend to leverage all of our capabilities to be the trusted partner in serving our customers and becoming their banker of choice. We also plan to continue to invest in technology and preserve our digital leadership by offering best in class digital products to customers and automating internal processes to increase efficiency. We will focus on lending to higher rated, well-established corporates and would remain cautious in lending to projects under implementation. Our focus will be on growing our core operating profits. As a financial group

with a presence across customer segments, products and geographies, we will leverage the synergy across our group companies.

The success of our strategy depends on several factors, including our ability to grow our low cost deposit base, growing our loan book profitably, containing non-performing loans, early resolution of stressed assets, maintaining regulatory compliance in an evolving regulatory environment, addressing regulators' assessments of and observations on our operations, and competing effectively in the Indian corporate and retail financial services market. Regulations governing the financial sector in India, including banking, insurance and asset management, continue to evolve, with a potential impact on the growth and profitability of financial services groups such as us. Our overseas branches are primarily funded from wholesale sources and global financial market conditions may impact our ability to grow the business of our overseas branches. See also "*Risk Factors—Risks Relating to Our Business—Our international operations increase the complexity of the risks that we face*". The success of our strategy is also subject to the overall regulatory and policy environment in which we operate including the direction of monetary policy. Our ability to execute our strategy will also depend on the liquidity and interest rate environment. See also "*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*". With regard to our overseas banking subsidiaries, recent global developments, including commodity prices, trade-related disputes and continuing negotiations between the United Kingdom and European policymakers following its vote to withdraw from the European Union, are expected to impact economic growth in Canada and the United Kingdom, respectively, which in turn could impact the business of our banking subsidiaries in these countries.

For a detailed discussion of risks that we face in our business please refer to "Risk Factors".

Average Balance Sheet

The average balances are the sum of daily average balances outstanding. The yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of advances include non-performing advances and are net of allowance for loan losses. We have re-calculated tax-exempt income on a tax-equivalent basis. Tax exempt income primarily consists of dividend income and interest income on tax free bonds. For fiscal 2018, we have applied an effective marginal tax rate of 26% for the purpose of this re-computation. Other interest income has been bifurcated into rupee and foreign currency amounts in order to facilitate the explanation of movements of rupee and foreign currency spreads and margins. The rupee portion of other interest income primarily includes interest on income tax refunds and income from interest rate swaps. The foreign currency portion of other interest income primarily includes income from interest rate swaps in foreign currencies. These swaps are not part of our portfolio and are undertaken by us to manage the market risk arising from our assets and liabilities.

The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which contribute to the major components of interest income, interest expense and net interest income.

	Year ended March 31, 2016			**2017**			**2018**	
	Average balance	**Interest income/expense**	**Average yield/cost**	**Average balance**	**Interest income/ expense**	**Average yield/cost**	**Average balance**	**Intere incom expens**
	(in millions, except percentages)							
Assets:								
Advances:								
Rupee	Rs. 3,117,572	Rs. 353,636	11.34%	Rs. 3,539,213	Rs. 366,258	10.35%	Rs. 3,991,107	Rs.388
Foreign currency	1,555,024	61,873	3.98	1,457,164	54,546	3.74	1,284,252	44,
Total advances	4,672,596	415,509	8.89	4,996,376	420,804	8.42	5,275,359	432
Investments:								
Rupee	1,863,861	143,498	7.70	2,105,650	154,825	7.35	2,340,362	161
Foreign currency	105,495	1,790	1.70	117,045	2,231	1.91	103,722	2,2
Total investments	1,969,356	145,288	7.38	2,222,696	157,056	7.07	2,444,084	163
Other interest-earning assets:								
Rupee	507,352	19,027	3.75	557,025	20,248	3.63	551,641	19,
Foreign currency	97,331	655	0.67	135,643	1,126	0.83	172,546	2,3

	Year ended March 31, 2016			2017			2018	
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense
Total other interest-earning assets	604,683	19,682	3.25%	692,668	21,374	3.09%	724,187	21,466
Other interest income:								
Rupee		6,771			7,512			4,047
Foreign currency		7,730			5,150			2,326
Total other interest income		14,501			12,661			6,373
Interest-earning assets:								
Rupee	5,488,785	522,932	9.53	6,201,888	548,842	8.85	6,883,110	572,935
Foreign currency	1,757,850	72,048	4.10	1,709,852	63,053	3.69	1,560,519	51,241
Total interest-earning assets	7,246,635	594,980	8.21	7,911,740	611,895	7.73	8,443,631	624,176
Fixed assets	59,269			88,377			94,606	
Other assets	1,168,798			1,339,744			1,523,526	
Total non-earning assets	1,228,068			1,428,122			1,618,132	
Total assets	**Rs. 8,474,703**	**Rs. 594,980**		**Rs. 9,339,862**	**Rs. 611,895**		**Rs. 10,061,763**	**Rs. 624,176**
Liabilities:								
Savings account deposits:								
Rupee	Rs. 1,121,213	Rs. 44,730	3.99%	Rs. 1,391,381	Rs. 55,373	3.98%	Rs. 1,649,434	Rs. 61,644
Foreign currency	86,770	957	1.10	83,108	805	0.97	74,834	646
Total savings account deposits	1,207,983	45,687	3.78	1,474,489	56,177	3.81	1,724,268	62,290
Time deposits:								
Rupee	1,891,635	155,382	8.21	2,163,756	162,366	7.50	2,494,447	168,087
Foreign currency	456,709	18,921	4.14	383,130	14,084	3.68	256,534	7,020
Total time deposits	2,348,344	174,303	7.42	2,546,886	176,449	6.93	2,750,981	175,107

Other demand deposits:								
Rupee	326,919			409,105			490,124	
Foreign currency	57,249			67,693			72,933	
Total other demand deposits	384,168			476,798			563,057	
Total deposits:								
Rupee	3,339,767	200,112	5.99	3,964,243	217,738	5.49	4,634,005	229,731
Foreign currency	600,728	19,878	3.31	533,932	14,888	2.79	404,301	7,666
Total deposits	3,940,495	219,990	5.58	4,498,175	232,626	5.17	5,038,306	237,397
Borrowings:								
Rupee	815,910	80,749	9.90	834,502	76,252	9.14	865,519	71,837
Foreign currency	1,338,001	39,226	2.93	1,297,597	39,480	3.04	1,159,390	33,387
Total borrowings	2,153,911	119,975	5.57	2,132,099	115,732	5.43	2,024,909	105,224
Interest-bearing liabilities:								
Rupee	4,155,677	280,861	6.76	4,798,745	293,990	6.13	5,499,524	301,568
Foreign currency	1,938,729	59,104	3.05	1,831,529	54,368	2.97	1,563,691	41,053
Total interest-bearing liabilities	6,094,406	339,965	5.58	6,630,273	348,358	5.25	7,063,215	342,620
Preference share capital	3,500			3,500			3,500	
Other liabilities	1,457,044			1,703,366			1,902,934	
Total liabilities	7,554,950	339,965		8,337,139	348,358		8,969,649	342,620
Stockholders' equity	919,753			1,002,723			1,092,114	
Total liabilities and stockholders' equity	**Rs. 8,474,703**	**Rs. 339,965**		**Rs. 9,339,862**	**Rs. 348,358**		**Rs. 10,061,763**	**Rs. 342,620**

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(1) Previous period figures have been re-grouped/re-classified where necessary to conform to current period classification.

Analysis of Changes in Interest Income and Interest Expense: Volume and Rate Analysis

The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purpose of this table, changes which are due to both volume and rate have been allocated solely to volume.

	Fiscal 2017 vs. Fiscal 2016			Fiscal 2018 vs. Fiscal 2017		
		Increase (decrease) due to			**Increase (decrease) due to**	
	Net change	**Change in average volume**	**Change in average rate**	**Net change**	**Change in average volume**	**Change in average rate**
	(in millions)					
Interest income:						
Advances:						
Rupee	Rs.I2,622	Rs.L3,634	Rs. (31,012)	Rs.J1,984	Rs.L3,959	Rs. (21,975)
Foreign currency	(7,328)	(3,663)	(3,665)	(10,260)	(5,963)	(4,297)
Total advances	5,294	39,971	(34,677)	11,724	37,996	(26,272)
Investments:						
Rupee	11,327	17,778	(6,451)	6,700	16,199	(9,499)
Foreign currency	441	220	221	53	(293)	346
Total investments	11,768	17,998	(6,230)	6,753	15,906	(9,153)
Other interest-earning assets:						
Rupee	1,221	1,806	(585)	(1,127)	(187)	(940)
Foreign currency	471	318	153	1,219	502	717
Total other interest earning asset	1,692	2,124	(432)	92	315	(223)
Other interest income						
Rupee	740	—	740	(3,465)	—	(3,465)
Foreign currency	(2,580)	—	(2,580)	(2,824)	—	(2,824)
Other interest income	(1,840)	—	(1,840)	(6,288)	—	(6,288)
Total interest income:						
Rupee	25,910	63,218	(37,308)	24,092	59,971	(35,879)
Foreign currency	(8,996)	(3,125)	(5,871)	(11,812)	(5,754)	(6,058)
Total interest income	16,914	60,093	(43,179)	12,281	54,217	(41,936)
Interest expense:						

Savings account deposits:						
Rupee	10,643	10,752	(109)	6,271	9,644	(3,373)
Foreign currency	(152)	(35)	(117)	(159)	(71)	(87)
Total savings account deposits	10,491	10,717	(226)	6,112	9,573	(3,460)
Time deposits:						
Rupee	6,983	20,420	(13,437)	5,722	22,283	(16,562)
Foreign currency	(4,838)	(2,705)	(2,133)	(7,063)	(3,464)	(3,599)
Total time deposits	2,145	17,715	(15,570)	(1,341)	18,819	(20,161)
Total deposits:						
Rupee	17,626	31,172	(13,546)	11,993	31,927	(19,935)
Foreign currency	(4,990)	(2,740)	(2,250)	(7,222)	(3,535)	(3,686)
Total deposits	12,636	28,432	(15,796)	4,771	28,392	(23,621)
Borrowings:						
Rupee	(4,497)	1,699	(6,196)	(4,415)	2,574	(6,989)
Foreign currency	254	(1,229)	1,483	(6,093)	(3,980)	(2,113)
Total borrowings	(4,243)	470	(4,713)	(10,508)	(1,406)	(9,102)
Total interest expense:						
Rupee	13,129	32,871	(19,742)	7,578	34,501	(26,924)
Foreign currency	(4,736)	(3,969)	(767)	(13,315)	(7,515)	(5,799)
Total interest expense	8,393	28,902	(20,509)	(5,737)	26,986	(32,723)
Net interest income:						
Rupee	12,781	30,347	(17,566)	16,514	25,470	(8,955)
Foreign currency	(4,260)	844	(5,104)	1,503	1,761	(259)
Total net interest income	**Rs. 8,521**	**Rs.K1,191**	**Rs. (22,670)**	**Rs.I8,018**	**Rs.J7,231**	**Rs. (9,213)**

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Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets.

	Year ended March 31,				
	2014	2015	2016	2017	2018
	(in millions, except percentages)				
Interest income[1]	Rs.L97,393	Rs.552,291	Rs.594,980	Rs.611,895	Rs.624,176
Average interest-earning assets	5,830,625	6,449,192	7,246,635	7,911,740	8,443,631
Interest expense	297,106	323,182	339,965	348,358	342,620
Average interest-bearing liabilities	4,996,433	5,445,790	6,094,406	6,630,273	7,063,215
Average total assets	7,021,668	7,675,783	8,474,703	9,339,862	10,061,763
Average interest-earning assets as a percentage of average total assets	83.04 %	84.02 %	85.51 %	84.71 %	83.92 %
Average interest-bearing liabilities as a percentage of average total assets	71.16	70.95	71.91	70.99	70.20
Average interest-earning assets as a percentage of average interest-bearing liabilities	116.70	118.43	118.91	119.33	119.54
Yield	8.53	8.56	8.21	7.73	7.39
Rupee	9.95	9.97	9.53	8.85	8.32
Foreign currency	4.41	4.34	4.10	3.69	3.28
Cost of funds	5.95	5.93	5.57	5.25	4.85
Rupee	7.34	7.16	6.76	6.13	5.48
Foreign currency	3.16	3.41	3.05	2.97	2.63
Spread[2]	2.58	2.63	2.64	2.48	2.54
Rupee	2.61	2.81	2.77	2.72	2.84
Foreign currency	1.25	0.93	1.05	0.72	0.66
Net interest margin[3]	3.44	3.55	3.52	3.33	3.33
Rupee	4.31	4.54	4.41	4.11	3.94
Foreign currency	0.89	0.58	0.74	0.51	0.65

(1) We have re-calculated tax-exempt income on a tax-equivalent basis. The impact of re-calculation of tax-exempt income on a tax equivalent basis was Rs. 2.6 billion for fiscal 2014, Rs. 2.7 billion for fiscal 2015, Rs. 2.0 billion for fiscal 2016, Rs. 2.5 billion for fiscal 2017 and Rs. 2.6 billion for fiscal 2018.

(2) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(3) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

(4) Previous period figures have been re-grouped/re-classified where necessary to conform to current period classification.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Interest income[1]	Rs. 609,399	Rs. 621,623	US$ 9,547	2.0 %
Interest expense	(348,358)	(342,620)	(5,262)	(1.6)%
Net interest income	**Rs.J61,041**	**Rs.279,003**	**US$L,285**	6.9 %

(1) Tax exempt income has not been re-calculated on a tax-equivalent basis.

Net interest income increased by 6.9% from Rs. 261.0 billion in fiscal 2017 to Rs. 279.0 billion in fiscal 2018, reflecting an increase of 6.7% in the average volume of interest-earning assets.

Net interest margin

Net interest margin on the rupee portfolio decreased by 17 basis points from 4.11% in fiscal 2017 to 3.94% in fiscal 2018 and net interest margin on foreign currency portfolio increased by 14 basis points from 0.51% in fiscal 2017 to 0.65% in fiscal 2018. However, overall net interest margin remained stable at 3.33% in fiscal 2017 and fiscal 2018 primarily due to an increase in proportion of the rupee portfolio, which has relatively higher margins, in the total portfolio.

The yield on the rupee portfolio decreased by 53 basis points from 8.85% in fiscal 2017 to 8.32% in fiscal 2018 primarily due to the following:

- The yield on rupee advances decreased by 62 basis points from 10.35% in fiscal 2017 to 9.73% in fiscal 2018. The yield on rupee investments decreased by 45 basis points from 7.35% in fiscal 2017 to 6.90% in fiscal 2018. The yield on other interest-earning assets decreased by 16 basis points from 3.63% in fiscal 2017 to 3.47% in fiscal 2018.

  - The yield on rupee advances decreased by 62 basis points from 10.35% in fiscal 2017 to 9.73% in fiscal 2018 primarily due to the following reasons:

- There were higher additions to non-performing assets during fiscal 2017 and fiscal 2018. The Bank accounts for interest income on a cash basis on non-performing assets.

- The Bank reduced its 1-year marginal cost of funds based lending rate by 100 basis points during fiscal 2017, of which 75 basis points was reduced subsequent to withdrawal of legal tender status of Specified Bank Notes in November 2016, the full year impact of this change was reflected in fiscal 2018. The incremental loans by the Bank were made at lower rates, in line with market trends. Further, many existing customers of the Bank with floating rate loans have re-priced their loans to lower rate linked to marginal cost of funds based lending rate during fiscal 2018. See also "*Business—Loan portfolio—Loan pricing*".

- The yield on interest-earning rupee investments decreased by 45 basis points from 7.35% in fiscal 2017 to 6.90% in fiscal 2018. The yield on Government securities decreased primarily due to realization of capital gains in the statutory liquidity ratio investments and reset of floating rate bonds at lower levels. The yield on other than statutory liquidity ratio investments decreased primarily due to a decrease in the yield on bonds and debentures, commercial paper and mutual funds.

- The yield on other interest-earning assets decreased by 16 basis points from 3.63% in fiscal 2017 to 3.47% in fiscal 2018 primarily due to a decrease in interest on income tax refund and average investment in Rural Infrastructure

Development Fund and other related deposits, which are relatively higher yielding amongst other interest-earning assets.

Interest on income tax refunds decreased from Rs. 4.5 billion in fiscal 2017 to Rs. 2.8 billion in fiscal 2018. The receipt, amount and timing of such income depend on the nature and timing of determinations by tax authorities and are neither consistent nor predictable.

The cost of funds for the rupee portfolio decreased by 65 basis points from 6.13% in fiscal 2017 to 5.48% in fiscal 2018 primarily due to the following factors:

- The cost of rupee deposits decreased by 53 basis points from 5.49% in fiscal 2017 to 4.96% in fiscal 2018 primarily due to a decrease in the cost of rupee term deposits and cost of rupee savings deposits and an increase in the proportion of average current account and savings account deposits in total deposits.

The cost of rupee term deposits decreased by 76 basis points from 7.50% in fiscal 2017 to 6.74% in fiscal 2018 reflecting softening of interest rates. The Bank reduced retail term deposit rates for select maturities in phases during fiscal 2017 and fiscal 2018. For example, the rate on retail term deposits with maturities between 390 days up to two years declined from 7.50% at April 1, 2016 to 7.00% at April 1, 2017. The rate was further reduced to 6.90% on May 17, 2017 and 6.75% on July 19, 2017.

The cost of rupee savings deposits decreased by 24 basis points from 3.98% in fiscal 2017 to 3.74% in fiscal 2018. Effective August 19, 2017, the Bank reduced its interest rate on savings account deposits by 50 basis points on deposits below Rs. 5 million from 4.00% to 3.50%.

The average rupee current account and savings account deposits as a percentage of total rupee deposits increased from 45.4% in fiscal 2017 to 46.2% in fiscal 2018.

- The cost of rupee borrowings decreased by 84 basis points from 9.14% in fiscal 2017 to 8.30% in fiscal 2018 primarily due to a decrease in the cost of rupee borrowings of ICICI Bank. Cost of rupee borrowings of ICICI Bank decreased primarily due to a decrease in cost of bond borrowings, refinance borrowings and call money borrowings.

The yield on our foreign currency portfolio decreased by 41 basis points from 3.69% in fiscal 2017 to 3.28% in fiscal 2018 primarily due to the following:

- The yield on average interest earning assets of overseas branches of ICICI Bank decreased primarily due to a decrease in the yield on average advances. The yield on average advances of overseas branches decreased primarily due to an increase in non-performing assets in fiscal 2017 and fiscal 2018 and prepayment of high yielding loans. The Bank accounts for interest income on a cash basis on non-performing assets.

- The net interest income on non-trading interest rate swaps of ICICI Bank, which are undertaken to manage the market risk arising from assets and liabilities, decreased from Rs. 5.0 billion in fiscal 2017 to Rs. 2.1 billion in fiscal 2018 primarily due to expiry of interest rate swaps on maturity of underlying borrowings.

- The yield on average interest earning assets of ICICI Bank UK decreased primarily due to a decrease in yield on average advances, offset, in part, by an increase in yield on average investment securities. Yield on average advances decreased primarily due to maturity of high yielding loans. Yield on average investment securities increased primarily due to an increase in investments in high yielding corporate bonds.

- The yield on average interest earning assets of ICICI Bank Canada increased primarily due to an increase in yield on average advances. Yield on average advances increased primarily due to an increase in proportion of high yielding advances in total advances. Yield on average investment increased primarily due to an increase in investment in the higher yielding bankers' acceptances during fiscal 2018.

The cost of funds for the foreign currency portfolio decreased by 34 basis points from 2.97% in fiscal 2017 to 2.63% in fiscal 2018, due to the following factors:

- The cost of funds for ICICI Bank's foreign currency funding decreased primarily due to a decrease in cost of deposits and cost of borrowings. The cost of deposits decreased primarily due to a decrease in cost of term deposits on account of maturity of high cost foreign currency non-resident deposits. Cost of borrowings decreased primarily due to a decrease in cost of bond borrowings.

- The cost of funds of ICICI Bank UK decreased primarily due to decrease in cost of deposits and cost of borrowings. The cost of deposits decreased primarily due to interest rate reduction on retail deposits. The cost of borrowings decreased primarily due to buyback of higher cost subordinated bond borrowings and an increase in borrowings from central bank, which are relatively lower cost as compared to other borrowings.

- The cost of funds of ICICI Bank Canada decreased primarily due to a decrease in cost of deposits and cost of borrowings. The cost of deposits decreased primarily due to maturity of high cost deposits. The cost of borrowings decreased primarily due to an increase in the proportion of lower cost securitized borrowings in the total borrowings.

Our yield on advances, interest income, net interest income and net interest margin are likely to continue to be impacted going forward, due to the tightening of systemic liquidity, changes in benchmark lending rates and deposits rates (including savings deposit rates in India), competitive market conditions, the increased proportion of secured retail advances in total advances, focus on lending to higher rated, well-established corporates,

migration of ICICI Bank's Base rate linked floating rate loans to marginal cost of funds based lending rate and non-accrual of income on non-performing assets.

An internal study group report of the Reserve Bank of India dated September 25, 2017 proposed that all floating rate loans extended from April 1, 2018 be referenced to an external benchmark. The Group also suggested that the periodicity of resetting the interest rates be once a quarter and that banks should migrate all existing lending rates to the new benchmark without any additional charges for switchover within one year from the introduction of the external benchmark. The Reserve Bank of India has yet to issue the necessary instructions/guidelines in this regard. Further, in February 2018, the Reserve Bank of India proposed to harmonize the methodology of determining benchmark rates by linking the base rate to the marginal cost based lending rate. Final instructions/guidelines in this regard have not yet been released. Any change in the methodology of determining benchmark rates may impact our interest income, yield on advances, net interest income and net interest margin.

Interest-earning assets

The average volume of interest-earning assets increased by 6.7% from Rs. 7,911.7 billion in fiscal 2017 to Rs. 8,443.6 billion in fiscal 2018. The increase in interest-earning assets was primarily due to an increase in average advances by Rs. 279.0 billion and an increase in average interest-earning investments by Rs. 221.4 billion.

Average advances increased by 5.6% from Rs. 4,996.4 billion in fiscal 2017 to Rs. 5,275.4 billion in fiscal 2018. Average rupee advances increased by 12.8% from Rs. 3,539.2 billion in fiscal 2017 to Rs. 3,991.1 billion in fiscal 2018 primarily due to an increase in retail advances. Average foreign currency advances decreased by 11.9% from Rs. 1,457.2 billion in fiscal 2017 to Rs. 1,284.3 billion in fiscal 2018 primarily due to a decrease in advances of ICICI Bank on account of prepayment and higher provision on advances.

Average interest-earning investments increased by 10.0% from Rs. 2,222.7 billion in fiscal 2017 to Rs. 2,444.1 billion in fiscal 2018. Average rupee investments increased by 11.1% from Rs. 2,105.7 billion in fiscal 2017 to Rs. 2,340.4 billion in fiscal 2018 primarily due to an increase in investments in Indian government securities by 7.5% from Rs. 1,521.6 billion in fiscal 2017 to Rs. 1,636.3 billion in fiscal 2018. Average other rupee investments increased by 20.5% from Rs. 584.1 billion in fiscal 2017 to Rs. 704.1 billion in fiscal 2018. Interest-earning rupee investments, other than Indian government securities include investments in corporate bonds and debentures, certificates of deposits, commercial paper, pass through certificates and liquid mutual funds. Average foreign currency investments decreased by 11.4% from Rs. 117.0 billion in fiscal 2017 to Rs. 103.7 billion in fiscal 2018.

Average other interest-earning assets increased by 4.5% from Rs. 692.7 billion in fiscal 2017 to Rs. 724.2 billion in fiscal 2018 primarily due to an increase in call and term money lent, offset, in part, by a decrease in average investment in Rural Infrastructure Development Fund and other related deposits.

Interest-bearing liabilities

Average interest-bearing liabilities increased by 6.5% from Rs. 6,630.3 billion in fiscal 2017 to Rs. 7,063.2 billion in fiscal 2018 primarily due to an increase in average deposits by Rs. 540.1 billion, offset, in part, by a decrease in average borrowings by Rs. 107.2 billion.

Average interest-bearing rupee liabilities increased by 14.6% from Rs. 4,798.7 billion in fiscal 2017 to Rs. 5,499.5 billion in fiscal 2018. Average rupee time deposits increased by 15.3% from Rs. 2,163.8 billion in fiscal 2017 to Rs. 2,494.4 billion in fiscal 2018. Average rupee current account and savings account deposits increased by 18.8% from Rs. 1,800.5 billion in fiscal 2017 to Rs. 2,139.6 billion in fiscal 2018. Average rupee borrowings increased by 3.7% from Rs. 834.5 billion in fiscal 2017 to Rs. 865.5 billion in fiscal 2018.

Average interest-bearing foreign currency liabilities decreased by 14.6% from Rs. 1,831.5 billion in fiscal 2017 to Rs. 1,563.7 billion in fiscal 2018. Average foreign currency deposits decreased by 24.3% from Rs. 533.9 billion in fiscal 2017 to Rs. 404.3 billion in fiscal 2018. Average foreign currency deposits of ICICI Bank decreased primarily due to a decrease in term deposits. Average deposits of ICICI Bank UK decreased primarily due to a decrease in corporate term deposits and savings deposits.

Average foreign currency borrowings decreased by 10.7% from Rs. 1,297.6 billion in fiscal 2017 to Rs. 1,159.4 billion in fiscal 2018. The foreign currency borrowings of ICICI Bank decreased primarily due to a

decrease in term borrowings and subordinated bond borrowings. Average borrowings of ICICI Bank Canada increased primarily due to an increase in borrowings through securitization of mortgages. Average borrowings of ICICI Bank UK increased primarily due to an increase in long-term borrowings and borrowings from central bank under Term Funding scheme. See also "*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*".

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 96,344	Rs. 112,629	US$1,730	16.9 %
Profit/(loss) on treasury-related activities (net)[1]	114,366	83,927	1,290	(26.6)
Profit/(loss) on sale of land, buildings and other assets (net)	(14)	29	(0) [2]	N/M
Premium and other operating income from insurance business	312,028	369,369	5,673	18.4
Miscellaneous income	1,853	2,114	32	14.1
Total non-interest income	**Rs.524,577**	**Rs.568,068**	**US$ 8,725**	8.3 %

N/M- Not meaningful

(1) Includes profit/(loss) on the sale/revaluation of investments and exchange transactions.

(2) Insignificant amount.

Non-interest income primarily includes income pertaining to our insurance business, commission, exchange and brokerage income, profit/(loss) on treasury-related activities and other miscellaneous income. This analysis of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income increased by 8.3% from Rs. 524.6 billion in fiscal 2017 to Rs. 568.1 billion in fiscal 2018 primarily due to an increase in net earned premium and other operating income relating to insurance business and commission, exchange and brokerage income, offset, in part, by a decrease in income from treasury-related activities.

Commission, exchange and brokerage

Commission, exchange and brokerage income primarily includes fees from our banking business as well as fee and brokerage income of our securities broking, asset management and venture capital fund management subsidiaries. The fee income of our banking business primarily includes fees from corporate clients such as loan processing fees, commercial banking fees and structuring fees, fee income from retail customers such as loan processing fees, credit card fees and service charges on retail deposit accounts.

Commission, exchange and brokerage income increased by 16.9% from Rs. 96.3 billion in fiscal 2017 to Rs. 112.6 billion in fiscal 2018. Commission, exchange and brokerage income of ICICI Bank increased from Rs. 80.3 billion in fiscal 2017 to Rs. 87.9 billion in fiscal 2018. The commission, exchange and brokerage income of ICICI Bank increased primarily due to an increase in credit card fees from retail customers, fees from retail deposit customers and lending linked fees, offset, in part, by a decrease in commercial banking fees. Commission, exchange and brokerage income of our asset management subsidiary increased from Rs. 13.0 billion in fiscal 2017 to Rs. 18.2 billion in fiscal 2018 primarily due to an increase in management fees from mutual fund operations. Commission, exchange and brokerage income of our securities broking subsidiary increased from Rs. 12.7 billion in fiscal 2017 to Rs. 16.8 billion in fiscal 2018 primarily due to an increase in

brokerage income and third party product distribution fees. Brokerage income of our securities broking subsidiary increased primarily due to an increase in retail secondary market volume reflecting improved equity market conditions in fiscal 2018.

Income from treasury-related activities (net)

Income from treasury-related activities includes income from the sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share portfolio, units of venture capital and private equity funds, units of mutual funds and security receipts issued by asset reconstruction companies. Further, it also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions with clients, including options and swaps.

Income from treasury-related activities decreased from Rs. 114.4 billion in fiscal 2017 to Rs. 83.9 billion in fiscal 2018 primarily due to a decrease in income from our government securities portfolio and other fixed income positions.

Income from our equity portfolio increased marginally from Rs. 57.5 billion in fiscal 2017 to Rs. 57.7 billion in fiscal 2018. Income from our equity portfolio in fiscal 2017 primarily included a gain of Rs. 51.3 billion on sale of stake in ICICI Prudential Life Insurance Company Limited through an initial public offer. Income from our equity portfolio in fiscal 2018 primarily included a gain of Rs. 17.1 billion on sale of stake in ICICI Lombard General Insurance Company Limited and Rs. 32.1 billion on sale of stake in ICICI Securities Limited through an initial public offer.

Income from our government securities portfolio and other fixed income positions decreased from Rs. 39.3 billion in fiscal 2017 to Rs. 10.2 billion in fiscal 2018. In fiscal 2017, income from our government securities portfolio and other fixed income positions was higher primarily due to higher realized gains on government securities portfolio and other fixed income positions on account of a decrease in yield on benchmark fixed income securities. Yields on the benchmark 10-year Government securities fell significantly following the withdrawal of legal tender status of Specified Bank Notes in November 2016 to around 6.2% resulting in increased market opportunities for profit-taking in fiscal 2017. Yields on the benchmark 10-year Government securities remained stable in the range of 6.4% to 7.0% during April to August 2017 and then increased sharply from September 2017and was 7.4% at year-end fiscal 2018, resulting in lower market opportunities.

Income from foreign exchange transactions, including transactions with clients and margins on derivatives transactions with clients, increased from Rs. 14.6 billion in fiscal 2017 to Rs. 16.0 billion in fiscal 2018.

Income relating to our insurance business

Income from our insurance business includes net premium income, fee and commission income, surrender charges and income on foreclosure of policies. Income from our insurance business increased by 18.1% from Rs. 312.0 billion in fiscal 2017 to Rs. 368.6 billion in fiscal 2018 due to an increase in income from both our life insurance and general insurance business.

Income from our life insurance business increased from Rs. 242.9 billion in fiscal 2017 to Rs. 291.3 billion in fiscal 2018. Income from our General insurance business increased from Rs. 69.1 billion in fiscal 2017 to Rs. 77.3 billion in fiscal 2018.

Net premium income of our life insurance subsidiary increased from Rs. 221.0 billion in fiscal 2017 to Rs. 267.0 billion in fiscal 2018. The premium income (gross of premium on reinsurance ceded) of ICICI Prudential Life Insurance Company increased by 21.1% from Rs. 223.5 billion in fiscal 2017 to Rs. 270.7 billion in fiscal 2018 primarily due to an increase in retail renewal premium and retail new business premium. Retail renewal premium increased by 23.1% from Rs. 142.2 billion in fiscal 2017 to Rs. 175.0 billion in fiscal 2018. Retail new business premium increased by 18.9% from Rs. 70.7 billion in fiscal 2017 to Rs. 84.0 billion in fiscal 2018. Group premium increased from Rs. 10.7 billion in fiscal 2017 to Rs. 11.7 billion in fiscal 2018.

Fee and other life insurance related income of our life insurance subsidiary increased from Rs. 21.9 billion in fiscal 2017 to Rs. 24.4 billion in fiscal 2018 primarily due to an increase in fund management charges, mortality charges and policy administration charges.

Net premium income of our general insurance subsidiary increased from Rs. 60.1 billion in fiscal 2017 to Rs. 67.0 billion in fiscal 2018 primarily due to an increase in motor and health insurance business. Commission income of our general insurance subsidiary increased from Rs. 9.0 billion in fiscal 2017 to Rs. 10.3 billion in

fiscal 2018 primarily due to higher re-insurance commissions on health, accidental and motor insurance business.

Miscellaneous income

Miscellaneous income increased from Rs. 1.9 billion in fiscal 2017 to Rs. 2.1 billion in fiscal 2018.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Payments to and provisions for employees	Rs. 78,933	Rs. 83,335	US$ 1,280	5.6 %
Depreciation on own property	9,116	9,221	142	1.2
Auditor's fees and expenses	251	259	4	3.2
Expenses pertaining to insurance business	276,982	336,374	5,166	21.4
Other administrative expenses	116,418	128,367	1,971	10.3
Total non-interest expenses	**Rs. 481,700**	**Rs. 557,556**	**US$ 8,563**	15.7 %

Non-interest expense primarily includes expenses relating to our insurance business, payment to and provision for employees and other administrative expenses. Operating expenses increased by 15.7% from Rs. 481.7 billion in fiscal 2017 to Rs. 557.6 billion in fiscal 2018 primarily due to an increase in expenses related to insurance business, other administrative expenses and payments to and provisions for employees.

Payments to and provisions for employees

Employee expenses increased by 5.6% from Rs. 78.9 billion in fiscal 2017 to Rs. 83.3 billion in fiscal 2018. Our employee base, including sales executives, employees on fixed term contracts and interns, increased from 107,980 at year-end fiscal 2017 to 112,360 at year-end fiscal 2018.

The employee expenses of ICICI Bank increased by 3.1% from Rs. 57.3 billion in fiscal 2017 to Rs. 59.1 billion in fiscal 2018. Employee expenses increased primarily due to annual increments and promotions and an increase in average staff strength. The average employee base of ICICI Bank, including sales executives, employees on fixed term contracts and interns, increased from 79,671 employees in fiscal 2017 to 83,577 employees in fiscal 2018. Further, there was an increase in provision for performance bonus and performance-linked retention pay. This increase in cost was offset, in part, by a decrease in provision requirement for retirement benefit obligations due to an increase in discount rate linked to government securities yield. Any change in the government securities yield in future may impact our employee retirement benefits obligation and subsequently employee costs.

The employee expenses of ICICI Prudential Life Insurance Company increased by 18.3% from Rs. 8.2 billion in fiscal 2017 to Rs. 9.7 billion in fiscal 2018. The employee expenses of ICICI Securities Limited increased by 12.3% from Rs. 4.9 billion in fiscal 2017 to Rs. 5.5 billion in fiscal 2018. The employee expenses of ICICI Lombard General Insurance Company increased by 8.5% from Rs. 4.7 billion in fiscal 2017 to Rs. 5.1 billion in fiscal 2018. The employee expenses of ICICI Prudential Asset Management Company increased by 16.7% from Rs. 1.8 billion in fiscal 2017 to Rs. 2.1 billion in fiscal 2018.

Depreciation

Depreciation on owned properties increased by 1.1% from Rs. 9.1 billion in fiscal 2017 to Rs. 9.2 billion in fiscal 2018.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance, direct marketing agency expenses and other expenditures. Other administrative expenses increased by 10.3% from Rs. 116.4 billion in fiscal 2017 to Rs. 128.4 billion in fiscal 2018 primarily due to an increase in expenses of ICICI Bank and our asset management subsidiary, offset, in part, by a decrease in expenses of our life insurance subsidiary. Other administrative expenses of ICICI Bank increased from Rs. 82.6 billion in fiscal 2017 to Rs. 90.0 billion in fiscal 2018 primarily due an increase in retail business volumes.

Other administrative expenses of our asset management subsidiary increased from Rs. 4.3 billion in fiscal 2017 to Rs. 7.2 billion in fiscal 2018 primarily due to an increase in distribution and fund expenses which is in line with the growth in business volumes.

Other administrative expenses of our life insurance subsidiary decreased from Rs. 15.9 billion in fiscal 2017 to Rs. 11.6 billion in fiscal 2018 primarily due to a decrease in sales and marketing expenses.

Other administrative expenses of our general insurance subsidiary increased from Rs. 15.2 billion in fiscal 2017 to Rs. 15.8 billion in fiscal 2018.

Expenses related to our insurance business

Expenses related to our insurance business include claims and benefit payouts, commission expenses and reserves for actuarial liability (including the investible portion of the premium on unit-linked policies of our life insurance business). Expenses relating to our insurance business increased by 21.4% from Rs. 277.0 billion in fiscal 2017 to Rs. 336.4 billion in fiscal 2018.

The expenses related to our life insurance subsidiary increased from Rs. 223.7 billion in fiscal 2017 to Rs. 277.0 billion in fiscal 2018 primarily due to an increase in expenses related to reserves for actuarial liability (including the investible portion of the premium on unit-linked policies), commission expenses and claims and benefit payouts.

The reserves for the actuarial liability of the life insurance business (including the investible portion of the premium on unit-linked policies) increased from Rs. 209.2 billion in fiscal 2017 to Rs. 257.0 billion in fiscal 2018, primarily due to an increase in the volume of our unit-linked insurance business. The investible portion of the premium on linked policies of our life insurance business represents the amount of premium, including renewal premium received on linked policies of life insurance business invested, after deducting charges and the premium for risk coverage, in the underlying fund. The claims and benefit payouts and commission expenses increased from Rs. 14.5 billion in fiscal 2017 to Rs. 19.9 billion in fiscal 2018 primarily due an increase in death claims, maturity claims and surrender claims and higher commission expenses due to change in product-mix and growth in total premium. In line with Indian accounting norms for insurance companies, we do not amortize the customer acquisition cost, but account for the expenses as incurred.

The expenses related to our general insurance subsidiary increased from Rs. 53.3 billion in fiscal 2017 to Rs. 59.4 billion in fiscal 2018 primarily due to an increase in claims and benefit payouts and commission expenses. Claims and benefit payouts increased from Rs. 49.5 billion in fiscal 2017 to Rs. 53.1 billion in fiscal 2018, reflecting an increase in crop/weather insurance claims. The commission expenses increased from Rs. 3.8 billion in fiscal 2017 to Rs. 6.3 billion in fiscal 2018 primarily due to an increase in direct commission paid on motor insurance business.

See also "*Business—Overview of Our Products and Services—Insurance*".

Provisions and contingencies (excluding tax provisions)

Provisions for Non-performing Assets and Restructured Loans

The Reserve Bank of India has substantially expanded its guidance relating to the identification and classification of non-performing assets over the last four 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 comprised cases that were not yet restructured or classified as non-performing but which exhibited early signs of stress, as determined by various parameters. Banks were 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.

From April 1, 2015 onwards, loans that were restructured (other than due to a delay in project implementation up to specified periods) have to be classified as non-performing assets. Loans to projects under implementation that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in classification as non-performing assets, subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India.

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 including us, during the second half of fiscal 2016.

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 assesses through the Reserve Bank of India's annual supervisory process. The disclosure is required if either the additional provisioning requirement assessed by the Reserve Bank of India exceeds 15.0% of the published net profits after tax for the period, or the additional gross non-performing assets identified by the Reserve Bank of India exceeds 15.0% of the published incremental gross non-performing assets for the reference period, or both.

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 the Insolvency and Bankruptcy 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. In August 2017, the Reserve Bank of India identified additional accounts and directed banks to initiate insolvency resolution process under the provisions of the Insolvency and Bankruptcy Code by December 31, 2017 if a resolution plan where the residual debt was rated investment grade by two external credit rating agencies was not implemented by December 13, 2017. Given that the process of resolution of accounts referred under the Insolvency and Bankruptcy Code is still evolving, with periodic amendments being incorporated into the framework as well as litigation and judicial decisions impacting the framework, there is uncertainty regarding the impact of resolution of these borrowers and whether such resolution will be achieved.

In February 2018, the Reserve Bank of India issued directions and guidelines aimed at time-bound resolution of non-performing and stressed borrowers, withdrawal of earlier resolution schemes and commencement of proceedings under the Insolvency and Bankruptcy Code in respect of borrowers where a resolution satisfying specified criteria could not be achieved within a prescribed timeframe. Apart from the withdrawal of earlier resolution mechanisms, the guidelines have also withdrawn the guidelines for Joint Lenders' Forum, a committee formed by banks to explore options for resolution. The guidelines withdrew the standstill benefit for classification of borrower accounts where any of the Reserve Bank of India prescribed resolution scheme had been initiated and resulted in banks, including us, classifying assets under the resolution schemes of the Reserve Bank of India as non-performing on an accelerated basis.

The Bank has, since April 2016, implemented enhanced internal controls, relating to review of loan accounts which satisfy certain threshold parameters, primarily relating to size, credit rating and days-past-due, for identification of non-performing assets.

ICICI Bank classifies its assets, including those in overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines. ICICI Home Finance Company classifies its loans and other credit facilities in accordance with the guidelines of its regulator, the National Housing Bank. Our overseas banking subsidiaries classify a loan as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and the loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated. Under the Reserve Bank of India guidelines, non-performing assets are classified into sub-standard, doubtful and loss assets based on certain pre-defined criteria. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent the loan amount is outstanding in the host country. Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. The Reserve Bank of India has separate guidelines for restructured loans.

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

ICICI Bank makes provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided for/written off as required by the Reserve Bank of India guidelines. For loans and advances of overseas branches, we make provisions as per the Reserve Bank of India regulations or host country regulations, whichever is higher. We make provisions on retail non-performing loans at the borrower level in accordance with our retail assets provisioning policy, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. The Bank holds specific provisions against non-performing loans and advances and against certain performing loans and advances in accordance with the Reserve Bank of India directions, including the Reserve Bank of India direction for additional provision on accounts referred to the National Company Law Tribunal under the Insolvency and Bankruptcy Code. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement.

In respect of non-retail loans reported as fraudulent to the Reserve Bank of India and classified in doubtful category, the entire amount, without considering the value of security, is provided for over a period of four quarters starting from the quarter in which fraud has been detected. In respect of non-retail loans where there has been a delay in reporting the fraud to the Reserve Bank of India or which are classified as loss accounts, the entire amount is provided immediately. In the case of fraud in retail accounts, the entire amount is provided immediately. We make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured/rescheduled loans and advances at rates prescribed by the Reserve Bank of India. For standard loans and advances in overseas branches, we hold a general provision at the higher of host country regulatory requirements and the Reserve Bank of India requirements. The Bank also makes additional general provision on loans to specific borrowers in specific stressed sectors. The Bank may create floating provision for the year, in excess of the specific and general provision, as per Board approved policy. The floating provision can only be utilized, with the approval of Board and the Reserve Bank of India.

See also "*Business—Loan portfolio—Classification of Loans*".

Non-performing Assets

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

	At March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Opening balance (gross non-performing assets)	Rs. J93,216	Rs. L58,861	US$ O,047	56.5 %
Add: New non-performing assets during the year	348,281	295,969	4,546	(15.0)
Less: Loans upgraded to performing during the year	(10,078)	(38,668)	(594)	283.7
Less: Recoveries (excluding recoveries made from upgraded accounts)	(46,401)[1]	(48,103)[1]	(738)	3.7
Less: Write-offs	(126,157)	(92,798)	(1,426)	(26.4)
Gross non-performing assets[2]	**Rs. L58,861**	**Rs. 575,261**	**US$ 8,835**	25.4
Provisions for non-performing assets[2]	(188,530)	(281,714)	(4,327)	49.4
Net non-performing assets[2]	**Rs. 270,331**	**Rs. J93,547**	**US$ L,508**	8.6
Gross customer assets	Rs. 5,923,253	Rs. 6,681,141	US$ 102,613	12.8
Net customer assets	Rs. M,720,375	Rs. N,393,368	US$ 98,193	11.8

	At March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Gross non-performing assets as a percentage of gross customer assets	7.7%	8.6%		
Net non-performing assets as a percentage of net customer assets	4.7%	4.6%		

(1) Includes non-performing assets transferred to asset reconstruction companies primarily in exchange for the receipt of securities in the form of pass through instruments.

(2) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

During fiscal 2018, the additions to non-performing loans remained elevated due to a slowdown in economic activity and particularly due to changes in the Reserve Bank of India's guidelines with regard to the resolution of stressed assets that accelerated the additions to non-performing loans. The Reserve Bank of India introduced a new framework for the resolution of stressed assets in February 2018. The new framework withdrew the existing guidelines on restructuring of stressed assets, including strategic debt restructuring, change in ownership outside strategic debt restructuring and the scheme for sustainable structuring of stressed assets with immediate effect. Under the revised framework, the stand-still benefits in asset classification of borrower accounts where any of these schemes had been invoked but not yet implemented were withdrawn resulting in accelerated classification of assets under the resolution schemes of the Reserve Bank of India as non-performing.

These developments have led to a significant increase in non-performing loans, including slippages from restructured loans, for banks, including us. It has also led to higher provisioning requirements.

The gross additions to non-performing commercial loans decreased from Rs. 332.3 billion in fiscal 2017 to Rs. 267.2 billion in fiscal 2018. During fiscal 2018, we upgraded non-performing commercial loans amounting to Rs. 34.6 billion and made recoveries of non-performing commercial loans amounting to Rs. 39.9 billion. During fiscal 2018, commercial loans amounting to Rs. 88.7 billion were written-off as compared to Rs. 124.0 billion in fiscal 2017 based on a borrower-specific evaluation of the probability of recovery and collectability of the loans. Gross non-performing commercial loans increased from Rs. 430.8 billion at year-end fiscal 2017 to Rs. 534.8 billion at year-end fiscal 2018.

At year end fiscal 2016, ICICI Bank had disclosed its fund based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) to the iron and steel, mining, power, rigs and cement sectors and promoter entities internally rated below investment grade where the underlying was partly linked to these sectors, amounting to Rs. 440.7 billion. The aggregate fund based exposure and outstanding non-fund based facilities to companies that were internally rated below investment grade in the above sectors and promoter entities decreased from Rs. 440.7 billion at year-end fiscal 2016 to Rs. 190.4 billion at year-end fiscal 2017, which further decreased to Rs. 47.3 billion at year-end fiscal 2018. The decrease in fiscal 2018 was on account of slippage of loans of Rs. 135.5 billion to non-performing category, a net reduction in exposure of Rs. 20.3 billion, exclusion of outstanding non-fund based facilities for borrowers classified as non-performing asset amounting to Rs. 12.3 billion and upgrade of ratings of loans of Rs. 0.2 billion, offset, in part, by a downgrade of ratings of loans of Rs. 25.2 billion.

Gross additions to non-performing consumer loans were Rs. 28.8 billion in fiscal 2018 as compared to Rs. 15.9 billion in fiscal 2017. During fiscal 2018, we upgraded non-performing consumer loans of Rs. 4.1 billion as compared to Rs. 5.3 billion in fiscal 2017. During fiscal 2018, we made recoveries against non-performing consumer loans of Rs. 8.2 billion (fiscal 2017: Rs. 7.2 billion) and written-off loans of Rs. 4.1 billion (fiscal 2017: Rs. 2.1 billion). Gross non-performing consumer loans increased from Rs. 28.1 billion at year-end fiscal 2017 to Rs. 40.5 billion at year-end fiscal 2018.

As a result of above, our gross non-performing assets increased by 25.4% from Rs. 458.9 billion at year-end fiscal 2017 to Rs. 575.3 billion at year-end fiscal 2018. Our net non-performing assets increased by 8.6% from Rs. 270.3 billion at year-end fiscal 2017 to Rs. 293.5 billion at year-end fiscal 2018. The net non-performing asset ratio decreased from 4.7% at year-end fiscal 2017 to 4.6% at year-end fiscal 2018.

The total non-fund based outstanding to borrowers classified as non-performing was Rs. 29.80 billion at March 31, 2018.

See also "*Business—Classification of Loans—Non-performing Assets*".

Restructured Loans

The following table sets forth, at the dates indicated, information regarding roll-forward and average balances of standard restructured loans.

	At March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Opening balance (gross restructured loans)	Rs. 98,674	Rs.M0,855	US$O81	(48.5)%
Add: Loans restructured during the year	5,826	7	0	(99.9)
Add: Increase in loans outstanding in respect of previously restructured loans/borrowers	1,112	2,161	33	(94.3)
Less: Loans upgraded to standard category during the year	—	—	(-)	(100.0)
Less: Loans downgraded to non-performing category during the year	(48,428)	(22,838)	(351)	(52.8)
Less: Repayments/change in management/converted to equity shares during the year	(6,329)	(11,605)	(178)	(83.4)
Gross restructured loans	Rs. **50,855**	Rs. **18,579**	US$ **J85**	(63.5)
Provisions for restructured loans	(3,012)	(628)	(10)	(79.1)
Net restructured loans	Rs. **L7,843**	**Rs. 17,951**	**US$ J76**	(62.5)
Average balance of net restructured loans[1]	Rs. 70,350	Rs. 27,586	US$ 424	(60.8)
Gross customer assets	Rs. 5,923,253	Rs. 6,681,141	US$ 102,613	12.8
Net customer assets	Rs. 5,720,375	Rs. 6,393,368	US$ 98,193	11.8
Gross restructured loans as a percentage of gross customer assets	0.9 %	0.3 %		
Net restructured loans as a percentage of net customer assets	0.8 %	0.3 %		

(1) The average balance is the average of quarterly balances outstanding at the end of March of the previous year and June, September, December and March of the current year.

(2) Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a borrower where any of the loan facilities have been restructured.

During fiscal 2018, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 2.2 billion, as compared to Rs. 6.9 billion during fiscal 2017. Further, during fiscal 2018, restructured standard loans amounting to Rs. 22.8 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 48.4 billion during fiscal 2017. Restructured loans that were repaid or converted into equity shares or for which a change in management was effected amounted to Rs. 11.6 billion in fiscal 2018, as compared to Rs. 6.3 billion in fiscal 2017. The gross outstanding standard restructured loans decreased by 63.5%from Rs. 50.9 billion at year-end fiscal 2017 to Rs. 18.6 billion at year-end fiscal 2018 and the net outstanding restructured loans decreased by 62.5% from Rs. 47.8 billion at year-end fiscal 2017 to Rs. 18.0 billion at year-end fiscal 2018.

Further, at year-end fiscal 2018, ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 4.0 billion.

The net standard restructured loans, as a percentage of net customer assets, decreased from 0.8% at year-end fiscal 2017 to 0.3% at year-end fiscal 2018. The outstanding provision on restructured loans (including the

provision for funded interest) decreased from Rs. 3.0 billion at year-end fiscal 2017 to Rs. 0.6 billion at year-end fiscal 2018. See also "*Operating and Financial Review and Prospects—Provisions for Non-performing Assets and Restructured Loans*".

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 84.1 billion, or 16.5%, from Rs. 509.7 billion at year-end fiscal 2017 to Rs. 593.8 billion at year-end fiscal 2018. The aggregate net non-performing assets and net restructured loans decreased by Rs. 6.7 billion, or 2.1%, from Rs. 318.2 billion at year-end fiscal 2017 to Rs. 311.5 billion at year-end fiscal 2018.

The Reserve Bank of India issued various schemes for the resolution of stressed borrower accounts. The Reserve Bank of India announced guidelines on strategic debt restructuring in fiscal 2016, under which the conversion of debt into equity was allowed, which resulted in the acquisition of ownership interests in the borrowers by banks. On the conversion of debt into equity, banks were allowed to continue with the existing asset classification for an 18-month period (stand-still benefit). Apart from the strategic debt restructuring scheme, the Reserve Bank of India also issued guidelines with respect to loans to borrowers, allowing a change in ownership of the borrowers outside the strategic debt restructuring framework. This guideline allowed the stand-still benefits in asset classification of borrowers in-line with the strategic debt restructuring scheme. In fiscal 2017, the scheme for sustainable structuring of stressed assets was introduced, which sought to strengthen the ability of banks to undertake the resolution of large borrower accounts that were facing financial difficulties on account of delays in completing large projects. The scheme aimed at enabling lenders to initiate deep financial restructuring, subject to the fulfillment of certain conditions, for the sustainable revival of projects. The scheme envisaged bifurcation of the current dues of a borrower into sustainable debt and other than sustainable debt as per an independent study of the viability of the borrower's operations. The scheme also envisaged that the asset classification of the borrower as on a 'reference date' (date on which the lenders jointly decide to invoke the scheme) would continue for a period of 180 days (stand-still period).

On February 12, 2018, the Reserve Bank of India issued a revised framework for the resolution of stressed assets, which superseded the existing guidelines on strategic debt restructuring, change in ownership outside strategic debt restructuring (except projects under implementation) and scheme for sustainable structuring of stressed assets with immediate effect. Under the revised framework, the stand-still benefits in asset classification of borrower accounts where any of these schemes had been invoked but not yet implemented were withdrawn and the accounts were classified as per the extant Reserve Bank of India norms on asset classification. Hence, the Bank classified loans where any of these schemes had been invoked but not implemented as non-performing at year-end fiscal 2018.

At year-end fiscal 2018, the Bank had outstanding strategic debt restructuring loans of nil (at year-end fiscal 2017: Rs. 52.4 billion) where strategic debt restructuring had been implemented, out of which nil (at year-end fiscal 2017: Rs. 16.6 billion) was classified as restructured loans.

At year-end fiscal 2018, the Bank had initiated the process/implemented for change of ownership outside the strategic debt restructuring scheme in one borrower account classified as a standard account with a gross balance outstanding of

nil (at year-end fiscal 2017: Rs. 51.1 billion).

At year-end fiscal 2018, the Bank had implemented the scheme for sustainable structuring of stressed asset in five standard borrower accounts with an aggregate balance outstanding of Rs. 5.5 billion (at year-end fiscal 2017: Rs. 2.9 billion), comprising Rs. 2.9 billion (at year-end fiscal 2017: Rs. 1.5 billion) of sustainable debt and Rs. 2.6 billion (at year-end fiscal 2017: Rs. 1.4 billion) of unsustainable debt. Of these accounts, one account (at year-end fiscal 2017: Nil) with an aggregate balance outstanding of Rs. 0.2 billion (at year-end fiscal 2017: Nil) had been classified as non-performing asset at year-end fiscal 2018. Further, the Bank has implemented scheme for sustainable structuring of stressed asset in one non-performing borrower account (at year-end fiscal 2017: Nil) with an aggregate balance outstanding of Rs. 2.3 billion (at year-end fiscal 2017: Nil), comprising Rs. 1.3 billion (at year-end fiscal 2017: Nil) of sustainable debt (upgraded to standard) and Rs. 1.0 billion (at year-end fiscal 2017: Nil) of unsustainable debt. The outstanding loans where change of ownership scheme was invoked for projects under implementation were Rs. 2.4 billion at year-end fiscal 2018(at year-end fiscal 2017: Nil).

The Reserve Bank of India had issued guidelines permitting banks to refinance long-term project loans for infrastructure and other core industries at periodic intervals without such refinancing being considered as restructuring. Accordingly, the portfolio of such loans for which refinancing under the long-term project loans for infrastructure and other core industries had been implemented was Rs. 60.6 billion at year-end fiscal 2018

out of which Rs. 21.2 billion was classified as performing loans. See also “*Supervision and Regulation—Regulations Relating to Advancing Loans*”.

In fiscal 2018, we sold commercial loans made to 12 borrowers with an aggregate book value (net of provision) of Rs. 2.7 billion to asset reconstruction companies. In fiscal 2017, we sold commercial loans made to 35 borrowers with an aggregate book value (net of provision) of Rs. 37.1 billion to asset reconstruction companies. See also *“Business—Classification of Loans—Non-Performing Asset Strategy”*.

Provisions and contingencies

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Provision for investments (net)	Rs. 9,364	Rs.I9,489	US$J99	—
Provision for non-performing and other assets	157,453	147,516	2,266	(6.3)%
Provision for standard assets	(3,734)	2,960	45	—
Others	2,742	9,764	150	—
Total provisions and contingencies (excluding tax)	**Rs. I65,825**	**Rs. I79,729**	**US$ 2,760**	8.4 %

Provisions and contingencies increased by 8.4% from Rs. 165.8 billion in fiscal 2017 to Rs. 179.7 billion in fiscal 2018.

Provision for non-performing and other assets remained elevated at Rs. 147.5 billion in fiscal 2018 as compared to Rs. 157.5 billion in fiscal 2017 primarily due to high additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, provision on certain cases referred to National Company Law Tribunal under the provisions of Insolvency and Bankruptcy Code and provisions on loans classified as non-performing in earlier years.

During the six months ended September 30, 2017, the Reserve Bank of India advised the banks to initiate insolvency resolution process under the provisions of Insolvency and Bankruptcy Code for certain specific accounts. The Reserve Bank of India also required the banks to make provision at 50% of the secured portion and 100% of unsecured portion, or provision as per the extant Reserve Bank of India guideline on asset classification norms, whichever is higher. Subsequently, in April 2018, the Reserve Bank of India revised the provisioning requirements in respect of these specified cases from 50% of secured portion to 40% of secured portion at year-end fiscal 2018 and to 50% of the secured portion at three months ended June 30, 2018.

In fiscal 2018, we also made a provision for frauds amounting to Rs. 5.3 billion through reserves and surplus on certain non-retail accounts, which will be reversed and recognized through profit and loss account in fiscal 2019, as permitted by the Reserve Bank of India.

Provision for investments increased from Rs. 9.4 billion in fiscal 2017 to Rs. 19.5 billion in fiscal 2018 primarily due to provision on equity shares, bonds and debentures and preference shares on loan conversion cases under strategic debt restructuring and scheme for sustainable structuring of stressed assets.

Provision for standard assets increased from a reversal of Rs. 3.7 billion in fiscal 2017 to a provision of Rs. 3.0 billion in fiscal 2018. In fiscal 2017, reversal of provision for standard assets was primarily due to higher slippages from standard assets to non-performing assets and invocation of strategic debt restructuring in certain stressed assets, where the Bank made specific provision in accordance with the Reserve Bank of India guidelines. In April 2017, the Reserve Bank of India through its circular advised the banks that the provisioning rates prescribed under the prudential norms circular are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy and had specifically highlighted the telecom sector. Accordingly, during fiscal 2018, the Bank as per its Board approved policy made

additional general provision amounting to Rs. 1.91 billion on standard loans to borrowers. We held a cumulative general provision of Rs. 28.6 billion at year-end fiscal 2018 compared to Rs. 25.5 billion at year-end fiscal 2017.

Other provisions and contingencies increased from Rs. 2.7 billion in fiscal 2017 to Rs. 9.8 billion in fiscal 2018 primarily due to provision made on assets acquired under debt asset swap in fiscal 2018 as per the Reserve Bank of India's direction.

The Bank's provisioning coverage ratio (specific provisions as a percentage of non-performing advances) at year-end fiscal 2018, computed in accordance with the Reserve Bank of India guidelines, was 47.7%.

See also "*Business—Classification of Loans—Non-Performing Assets*" and "*Business—Classification of Loans—Restructured Loans*".

Tax Expense

Income tax expense decreased by 23.9% from Rs. 24.7 billion in fiscal 2017 to Rs. 18.8 billion in fiscal 2018. The effective tax rate decreased from 17.9% in fiscal 2017 to 17.1% in fiscal 2018 primarily due to a decrease in the effective tax rate of the Bank, offset, in part, by higher profit before taxes in domestic subsidiaries.

Income tax expense of the Bank decreased by 55.5% from Rs. 14.8 billion in fiscal 2017 to Rs. 6.6 billion in fiscal 2018. The effective tax rate of the Bank decreased from 13.1% in fiscal 2017 to 8.8% in fiscal 2018 primarily due to long-term capital gain from the sale of shares of ICICI Lombard General Insurance Company Limited and ICICI Securities Limited, which is exempt from income tax.

Income tax expenses of our securities broking subsidiary increased from Rs. 1.8 billion in fiscal 2017 to Rs. 3.0 billion in fiscal 2018 and our general insurance subsidiary from Rs. 2.1 billion in fiscal 2017 to Rs. 3.3 billion in fiscal 2018.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Cash and cash equivalents	Rs. 804,909	Rs. 889,991	US$ 13,669	10.6 %
Investments	3,043,733	3,722,077	57,166	22.3
Advances (net of provisions)	5,153,173	5,668,542	87,061	10.0
Fixed assets	93,380	94,650	1,454	1.4
Other assets	762,052	867,550	13,324	13.8
Total assets	**Rs. 9,857,247**	**Rs. I1,242,810**	**US$ I72,674**	**14.1 %**

(1) Previous period figures have been re-grouped/re-classified where necessary to conform to current period classification.

Our total assets increased by 14.1% from Rs. 9,857.2 billion at year-end fiscal 2017 to Rs. 11,242.8 billion at year-end fiscal 2018 primarily due to an increase in investments, net advances and other assets. Net advances increased by 10.0% from Rs. 5,153.2 billion at year-end fiscal 2017 to Rs. 5,668.5 billion at year-end fiscal 2018. Investments increased by 22.3% from Rs. 3,043.7 billion at year-end fiscal 2017 to Rs. 3,722.1 billion at year-end fiscal 2018. Other assets increased by 13.8% from Rs. 762.1 billion at year-end fiscal 2017 to Rs. 867.6 billion at year-end fiscal 2018.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with the Reserve Bank of India and other banks, including money at call and short notice. Cash and cash equivalents increased from Rs. 804.9 billion at year-end fiscal 2017 to Rs. 890.0 billion at year-end fiscal 2018 primarily due to an increase in balances with

banks outside India and foreign currency term money lent, offset, in part, by a decrease in money lent at call and short notice.

Investments

Total investments increased by 22.3% from Rs. 3,043.7 billion at year-end fiscal 2017 to Rs. 3,722.1 billion at year-end fiscal 2018. Investments of ICICI Bank increased from Rs. 1,615.1 billion at year-end fiscal 2017 to Rs. 2,029.9 billion at year-end fiscal 2018 primarily due to an increase in investments in government securities, commercial paper, bonds and debentures and certificate of deposits.

Investments of ICICI Prudential Life Insurance Company increased from Rs. 1,204.1 billion at year-end fiscal 2017 to Rs. 1,370.5 billion at year-end fiscal 2018. Investments held to cover linked liabilities increased from Rs. 878.8 billion at year-end fiscal 2017 to Rs. 975.0 billion at year-end fiscal 2018 primarily due to an increase in investment in equity shares and corporate bonds. Investments, other than investments held to cover linked liabilities, increased from Rs. 325.3 billion at year-end fiscal 2017 to Rs. 395.5 billion at year-end fiscal 2018 primarily due to an increase in investment in government securities and equity shares.

Investments of ICICI Lombard General Insurance Company increased from Rs. 146.7 billion at year-end fiscal 2017 to Rs. 180.3 billion in fiscal 2018 primarily due to an increase in investment in debentures, bonds and equity shares.

Investments of ICICI Securities Primary Dealership Limited increased from Rs. 94.9 billion at year-end fiscal 2017 to Rs. 154.5 billion in fiscal 2018 primarily due to an increase in investment in government securities portfolio.

Investments of ICICI Bank UK increased by 18.4% from Rs. 44.3 billion at year-end fiscal 2017 to Rs. 52.5 billion at year-end fiscal 2018 primarily due to an increase in investment in government securities. ICICI Bank Canada’s investment portfolio decreased by 32.7% from Rs. 32.6 billion at year-end fiscal 2017 to Rs. 22.0 billion at year-end fiscal 2018 primarily due to maturity/closures of treasury bills and bankers’ acceptances.

Our total investment in Indian government securities increased from Rs. 1,401.5 billion at year-end fiscal 2017 to Rs. 1,803.2 billion at year-end fiscal 2018.

At year-end fiscal 2018, the Bank had an outstanding net investment of Rs. 34.4 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets, compared to Rs. 32.9 billion at year-end

fiscal 2017. See also "*Business—Overview of Our Products and Services—Treasury*".

Advances

Net advances increased by 10.0% from Rs. 5,153.2 billion at year-end fiscal 2017 to Rs. 5,668.5 billion at year-end fiscal 2018 primarily due to an increase in retail advances.

Net advances of the Bank increased by 10.4% from Rs. 4,642.3 billion at year-end fiscal 2017 to Rs. 5,124.0 billion at year-end fiscal 2018. Net retail advances of ICICI Bank increased by 20.6% from Rs. 2,403.1 billion at year-end fiscal 2017 to Rs. 2,898.9 billion at year-end fiscal 2018. Net advances of our overseas branches decreased by 14.1% from Rs. 749.9 billion at year-end fiscal 2017 to Rs. 644.3 billion at year-end fiscal 2018. Net advances of ICICI Home Finance increased by 7.1% from Rs. 88.8 billion at year-end fiscal 2017 to Rs. 95.2 billion at year-end fiscal 2018 primarily due to higher disbursement of retail loans.

Advances of ICICI Bank UK increased marginally from Rs. 153.9 billion at year-end fiscal 2017 to Rs. 155.5 billion at year-end fiscal 2018.

Advances of ICICI Bank Canada increased from Rs. 272.0 billion at year-end fiscal 2017 to Rs. 290.7 billion at year-end fiscal 2017 primarily due to an increase in corporate loans and mortgage originations during fiscal 2018. See also "*Business – Loan Portfolio*".

Fixed and other assets

Fixed assets include premises, furniture and fixtures, assets given on lease and other fixed assets. Fixed assets increased by 1.4% from Rs. 93.4 billion at year-end fiscal 2017 to Rs. 94.7 billion at year-end fiscal 2018. Other assets increased from Rs. 762.1 billion at year-end fiscal 2017 to Rs. 867.6 billion at year-end fiscal 2018

primarily due to an increase in trade receivables, rural infrastructure and development fund and related deposits and deferred tax assets of the Bank and an increase in premium receivables of our general insurance subsidiary.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Deposits	Rs. 5,125,873	Rs. 5,857,961	US$ 89,970	14.3 %
Borrowings[1]	1,882,868	2,294,018	35,233	21.8
Other liabilities	1,753,533	1,924,452	29,557	9.7
Minority interest	48,653	60,082	923	23.5
Total liabilities	8,810,927	10,136,513	155,683	**15.0**
Equity share capital	11,651	12,858	197	10.4
Reserves and surplus[2]	1,034,669	1,093,439	16,794	5.7
Total liabilities (including capital and reserves)	**Rs. 9,857,247**	**Rs.11,242,810**	**US$172,674**	14.1 %

(1) Includes subordinated debt and redeemable non-cumulative preference shares.

(2) Includes employees' stock options outstanding.

(3) Previous period figures have been re-grouped/re-classified where necessary to conform to current period classification.

Our total liabilities (including capital and reserves) increased by 14.1% from Rs. 9,857.2 billion at year-end fiscal 2017 to Rs. 11,242.8 billion at year-end fiscal 2018, primarily due to an increase in deposits, borrowings and other liabilities.

Deposits

Deposits increased by 14.3% from Rs. 5,125.9 billion at year-end fiscal 2017 to Rs. 5,858.0 billion at year-end fiscal 2018. Deposits of ICICI Bank increased by 14.5% from Rs. 4,900.4 billion at year-end fiscal 2017 to Rs. 5,609.8 billion at year-end fiscal 2018. Savings account deposits increased by 17.0% from Rs. 1,718.4 billion at year-end fiscal 2017 to Rs. 2,009.7 billion at year-end fiscal 2018 and current account deposits increased by 18.6% from Rs. 749.8 billion at year-end fiscal 2017 to Rs. 889.6 billion at year-end fiscal 2018. Term deposits increased by 11.4% from Rs. 2,432.2 billion at year-end fiscal 2017 to Rs. 2,710.5 billion at year-end fiscal 2018. The current account and savings account deposits increased by 17.5% from Rs. 2,468.2 billion at year-end fiscal 2017 to Rs. 2,899.3 billion at year-end fiscal 2018. Deposits of overseas branches decreased by 28.4% from Rs. 69.2 billion at year-end fiscal 2017 to Rs. 49.6 billion at year-end fiscal 2018. At year-end fiscal 2018, deposits of the Bank formed 75.4% of the funding (i.e., deposits and borrowings). See also *"Business—Funding"*.

Deposits of ICICI Bank Canada increased from Rs. 124.2 billion at year-end fiscal 2017 to Rs. 142.8 billion at year-end fiscal 2018 due to an increase in term deposits and current account deposits, offset, in part, by a decrease in savings account deposits. Term deposits increased from Rs. 84.9 billion at year-end fiscal 2017 to Rs. 102.0 billion at year-end fiscal 2018. Current account deposits increased from Rs. 10.1 billion at year-end fiscal 2017 to Rs. 14.7 billion at year-end fiscal 2018. Savings account deposits decreased from Rs. 29.2 billion at year-end fiscal 2017 to Rs. 25.9 billion at year-end fiscal 2018.

Deposits of ICICI Bank UK increased from Rs. 106.9 billion at year-end fiscal 2017 to Rs. 114.0 billion at year-end fiscal 2018, primarily due to an increase in current and savings deposits, offset, in part, by a decrease in term deposits.

Borrowings

Borrowings increased by 21.8% from Rs. 1,882.9 billion at year-end fiscal 2017 to Rs. 2,294.0 billion at year-end fiscal 2018. Borrowings of ICICI Bank increased by 23.9% from Rs. 1,475.6 billion at year-end fiscal 2017 to Rs. 1,828.6 billion at year-end fiscal 2018, primarily due to an increase in borrowings with the Reserve Bank of India under liquidity adjustment facility, refinance borrowings and foreign currency call money

borrowings, offset, in part, by a decrease in foreign currency subordinated bond borrowings. Net borrowings of overseas branches decreased by 1.3% from Rs. 803.5 billion at year-end fiscal 2017 to Rs. 813.9 billion at year-end fiscal 2018.

Borrowings of ICICI Bank UK increased from Rs. 81.2 billion at year-end fiscal 2017 to Rs. 102.8 billion at year-end fiscal 2018, primarily due to an increase in inter-bank, long-term borrowings and borrowings from central bank under Term Funding Scheme. Borrowings of ICICI Bank Canada decreased from Rs. 150.9 billion at year-end fiscal 2017 to Rs. 145.2 billion at year-end fiscal 2018, primarily due to a net repayment of securitized borrowings. Borrowings of ICICI Securities Primary Dealership Company increased from Rs. 98.8 billion at year-end fiscal 2017 to Rs. 155.4 billion at year-end fiscal 2018 primarily due to an increase in borrowings under liquidity adjustment facility with the Reserve Bank of India and refinance borrowings. Borrowings of ICICI Home Finance Company increased from Rs. 74.2 billion at year-end fiscal 2017 to Rs. 81.8 billion at year-end fiscal 2018 primarily due to an increase in bond borrowings. See also “*Business—Funding*”.

Other liabilities

Other liabilities primarily consist of sundry creditors, bills payable and liabilities on insurance policies in force pertaining to our insurance subsidiaries. Other liabilities increased by 9.7% from Rs. 1,753.5 billion at year-end fiscal 2017 to Rs. 1,924.5 billion at year-end fiscal 2018, primarily due to an increase in liabilities on policies in force of our life insurance business by Rs. 159.9 billion from Rs. 1,155.0 billion at year-end fiscal 2017 to Rs. 1,314.9 billion at year-end fiscal 2018.

Equity share capital and reserves

Stockholders’ equity increased from Rs. 1,046.3 billion at year-end fiscal 2017 to Rs. 1,106.3 billion at year-end fiscal 2018 primarily due to the annual accretion to reserves out of profit.

Fiscal 2017 to Fiscal 2016

Summary

Operating profit before provisions increased by 14.2% from Rs. 266.1 billion in fiscal 2016 to Rs. 303.9 billion in fiscal 2017 primarily due to an increase in non-interest income, offset, in part, by an increase in non-interest expenses.

Net interest income increased by 3.2% from Rs. 253.0 billion in fiscal 2016 to Rs. 261.0 billion in fiscal 2017 reflecting an increase of 9.2% in the average volume of interest-earning assets, offset, in part, by a decrease in net interest margin by 19 basis points from 3.52% in fiscal 2016 to 3.33% in fiscal 2017.

Non-interest income increased by 24.6% from Rs. 421.0 billion in fiscal 2016 to Rs. 524.6 billion in fiscal 2017 primarily due to an increase in net earned premium and other operating income relating to insurance business and income from treasury-related activities. Premium and other operating income relating to insurance business increased by 18.3% from Rs. 263.8 billion in fiscal 2016 to Rs. 312.0 billion in fiscal 2017 primarily reflecting an increase in business volume. Income from treasury-related activities increased from Rs. 66.2 billion in fiscal 2016 to Rs. 114.4 billion in fiscal 2017, primarily due to the Bank's sale, during fiscal 2017, of equity shares representing a 12.63% shareholding in its life insurance subsidiary, ICICI Prudential Life Insurance Company Limited, through an initial public offer. This sale resulted in a gain of Rs. 51.3 billion.

Non-interest expenses increased by 18.1% from Rs. 407.9 billion in fiscal 2016 to Rs. 481.7 billion in fiscal 2017, primarily due to an increase in expenses pertaining to insurance business and other operating expenses.

Provisions and contingencies (excluding provision for tax) increased by 34.8% from Rs. 123.1 billion in fiscal 2016 to Rs. 165.8 billion in fiscal 2017. This increase was primarily due to an increase in provisions for non-performing assets. The net non-performing assets ratio increased from 2.7% at year-end fiscal 2016 to 4.7% at year-end fiscal 2017. The provisions for non-performing assets are expected to remain elevated in the near term due to high corporate sector leverage, slow improvement in corporate cash flows, the time required for resolution of stressed assets and the evolving regulatory approach.

The income tax expense decreased by 26.9% from Rs. 33.8 billion in fiscal 2016 to Rs. 24.7 billion in fiscal 2017 primarily due to a lower effective tax rate in fiscal 2017, primarily reflecting the composition of income.

As a result of the above, the profit after tax increased marginally from Rs. 101.8 billion in fiscal 2016 to Rs. 101.9 billion in fiscal 2017.

Net worth (equity share capital and reserves and surplus) increased from Rs. 941.1 billion at year-end fiscal 2016 to Rs. 1,046.3 billion at year-end fiscal 2017 primarily due to accretion to reserves from profit for the year. Total assets increased by 7.4% from Rs. 9,175.3 billion at year-end fiscal 2016 to Rs. 9,857.2 billion at year-end fiscal 2017. Total deposits increased by 13.6% from Rs. 4,510.8 billion at year-end fiscal 2016 to Rs. 5,125.9 billion at year-end fiscal 2017. Savings account deposits increased by 23.9% from Rs. 1,444.6 billion at year-end fiscal 2016 to Rs. 1,790.1 billion at year-end fiscal 2017. Current account deposits increased by 27.3% from Rs. 603.4 billion at year-end fiscal 2016 to Rs. 767.9 billion at year-end fiscal 2017. The current account and savings account ratio (ratio of current account and savings account deposits to total deposits) increased from 45.4% at year-end fiscal 2016 to 49.9% at year-end fiscal 2017 which includes the impact of significantly higher current account and savings account deposit inflows in the second half of the fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India. Total advances increased by 4.4% from Rs. 4,937.3 billion at year-end fiscal 2016 to Rs. 5,153.2 billion at year-end fiscal 2017. Our retail advances increased by 12.7% from Rs. 2,385.7 billion at year-end fiscal 2016 to Rs. 2,689.6 billion at year-end fiscal 2017.

ICICI Bank's branch network in India increased from 4,450 branches at year-end fiscal 2016 to 4,850 branches at year-end fiscal 2017. The ATM network of the Bank increased from 13,766 ATMs at year-end fiscal 2016 to 13,882 ATMs at year-end fiscal 2017.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.7%; Tier 1 risk-based capital ratio of 14.4% and total risk-based capital ratio of 17.4%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2017 were: common equity Tier 1 risk-based capital ratio of 13.8%; Tier 1 risk-based capital ratio of 14.4%; and total risk-based capital ratio of 17.3%.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change

	(in millions, except percentages)			
Interest income[1]	Rs. 592,937	Rs. 609,399	US$ 9,360	2.8 %
Interest expense	(339,965)	(348,358)	(5,351)	2.5 %
Net interest income	**Rs. J52,972**	**Rs. 261,041**	**US$** L,009	3.2 %

(1) Tax exempt income has not been re-calculated on a tax-equivalent basis.

Net interest income increased by 3.2% from Rs. 253.0 billion in fiscal 2016 to Rs. 261.0 billion in fiscal 2017, reflecting an increase of 9.2% in the average volume of interest-earning assets, offset, in part, by a decrease in net interest margin by 19 basis points.

Net interest margin

Net interest margin on the rupee portfolio decreased by 30 basis points from 4.41% in fiscal 2016 to 4.11% in fiscal 2017 and net interest margin on foreign currency portfolio decreased by 23 basis points from 0.74% in fiscal 2016 to 0.51% in fiscal 2017. The decrease in overall net interest margin was lower at 19 basis points (from 3.52% in fiscal 2016 to 3.33% in fiscal 2017) primarily due to an increase in proportion of the rupee portfolio, which has relatively higher margins, in the total portfolio.

The yield on the rupee portfolio decreased by 68 basis points from 9.53% in fiscal 2016 to 8.85% in fiscal 2017 primarily due to the following:

- The yield on rupee advances decreased by 99 basis points from 11.34% in fiscal 2016 to 10.35% in fiscal 2017. The yield on rupee investments decreased by 35 basis points from 7.70% in fiscal

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2016 to 7.35% in fiscal 2017. The yield on other interest-earning assets decreased by 12 basis points from 3.75% in fiscal 2016 to 3.63% in fiscal 2017.

- The yield on rupee advances decreased by 99 basis points from 11.34% in fiscal 2016 to 10.35% in fiscal 2017 primarily due to the following reasons:

- There were higher additions to non-performing assets and loans under strategic debt restructuring scheme during fiscal 2016 and fiscal 2017. The Bank accounts for interest income on a cash basis on non-performing assets and cases where strategic debt restructuring has been invoked.

- The Bank reduced its base rate by 65 basis points in three phases in fiscal 2016, a full year impact of this change was reflected in fiscal 2017. Further, the incremental loans by the Bank were made at lower rates, in line with market trends. See also "*Business—Loan portfolio—Loan pricing*".

- The yield on interest-earning rupee investments decreased by 35 basis points from 7.70% in fiscal 2016 to 7.35% in fiscal 2017. The yield on Government securities decreased primarily due to softening of yields. The yield on other than statutory liquidity ratio investments decreased primarily due to a decrease in the yield on bonds and debentures, mutual funds, commercial paper and certificate of deposits, reflecting softening of interest rates, offset, in part, by higher yield on pass through certificates.

- The yield on other interest-earning assets decreased by 12 basis points from 3.75% in fiscal 2016 to 3.63% in fiscal 2017 primarily due to a decrease in average investment in Rural Infrastructure Development Fund and other related deposits, which are relatively higher yielding amongst other interest-earning assets, and a decrease in yield on short-term money market lending.

- Interest on income tax refunds increased from Rs. 3.3 billion in fiscal 2016 to Rs. 4.5 billion in fiscal 2017. The receipt, amount and timing of such income depend on the nature and timing of determinations by tax authorities and are neither consistent nor predictable.

The cost of funds for the rupee portfolio decreased by 63 basis points from 6.76% in fiscal 2016 to 6.13% in fiscal 2017 primarily due to the following factors:

- The cost of rupee deposits decreased by 50 basis points from 5.99% in fiscal 2016 to 5.49% in fiscal 2017 primarily due to a decrease in the cost of rupee term deposits and an increase in the proportion of average current account and savings account deposits. The cost of rupee term deposits decreased from 8.21% in fiscal 2016 to 7.50% in fiscal 2017 reflecting softening of interest rates. The average rupee current account and savings account deposits as a percentage of total rupee deposits increased from 43.4% in fiscal 2016 to 45.4% in fiscal 2017, which includes the

impact of significantly higher current account and savings account deposit inflows in the second half of the fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India.

- The cost of rupee borrowings decreased by 76 basis points from 9.90% in fiscal 2016 to 9.14% in fiscal 2017 primarily due to a decrease in the cost of refinance borrowings and cost of bond borrowings.

The yield on our foreign currency portfolio decreased by 41 basis points from 4.10% in fiscal 2016 to 3.69% in fiscal 2017 primarily due to the following:

- The yield on average interest earning assets of overseas branches of ICICI Bank decreased primarily due to a decrease in the yield on average advances. The yield on average advances of overseas branches decreased primarily due to an increase in non-performing assets and strategic debt restructuring/change in management cases in fiscal 2016 and fiscal 2017, as interest income is not accrued on non-performing assets and cases where strategic debt restructuring/change in management has been invoked.

- The net interest income on non-trading interest rate swaps of ICICI Bank, which are undertaken to manage the market risk arising from assets and liabilities, decreased from Rs. 7.4 billion in fiscal 2016 to Rs. 5.0 billion in fiscal 2017 primarily due to maturity of underlying borrowings.

- The yield on average interest earning assets of ICICI Bank Canada decreased primarily due to a decrease in yield on average advances. Yield on average advances decreased primarily due to the repayment/prepayment of high yielding loans and investment securities and an increase in the lower yielding securitized insured mortgages portfolio.

- The yield on average interest earning assets of ICICI Bank UK decreased primarily due to a decrease in yield on average advances. Yield on average advances decreased primarily due to the repayment/prepayment of high yielding advances.

The cost of funds for the foreign currency portfolio decreased by 8 basis points from 3.05% in fiscal 2016 to 2.97% in fiscal 2017, due to the following factors:

- The cost of funds for ICICI Bank's foreign currency funding decreased primarily due to a decrease in cost of deposits, offset, in part, by an increase in cost of borrowings. The cost of deposits decreased primarily due to a decrease in cost of term deposits. The cost of borrowings increased primarily due to a decrease in term borrowings with relatively lower cost.

- The cost of funds of ICICI Bank UK decreased primarily due to decrease in cost of deposits, offset, in part, by an increase in cost of borrowings. The cost of deposits decreased primarily due to interest rate reduction on retail deposits. The cost of borrowings increased primarily due to an increase in cost of repo and overnight borrowings, offset, in part, by buyback of higher cost subordinated bond borrowings.

- The cost of funds of ICICI Bank Canada decreased primarily due to a decrease in cost of deposits and cost of borrowings. The cost of deposits decreased primarily due to maturity of high cost deposits. The cost of borrowings decreased primarily due to an increase in the proportion of lower cost insured mortgages securitization borrowings in the total borrowings.

Our interest income, yield on advances, net interest income and net interest margin are likely to continue to be impacted going forward, due to the non-accrual of income on non-performing assets and loans under the strategic debt restructuring/change in management scheme and the scheme for sustainable structuring of stressed assets, the increased proportion of secured retail advances in total advances, focus on lending to higher rated, well-established corporates, changes in benchmark lending rates and competitive market conditions. Further, during November 2016-March 2017, there was a significant increase in savings and current account deposits following the government of India's decision to withdraw high denomination currency notes resulting in a sharp increase in liquidity in the banking system. While this resulted in a decline in the cost of funds for us, the decline in lending rates have been higher as banks seek to deploy the excess liquidity in an environment with low credit demand. Further, existing

customers with floating rate loans also repriced to the lower rate. This is likely to impact our interest income, yield on advances, net interest income and net interest margin.

Interest-earning assets

The average volume of interest-earning assets increased by 9.2% from Rs. 7,246.6 billion in fiscal 2016 to Rs. 7,911.7 billion in fiscal 2017. The increase in interest-earning assets was primarily due to an increase in average advances by Rs. 323.8 billion and an increase in average interest-earning investments by Rs. 253.3 billion.

Average advances increased by 6.9% from Rs. 4,672.6 billion in fiscal 2016 to Rs. 4,996.4 billion in fiscal 2017. Average rupee advances increased by 13.5% from Rs. 3,117.6 billion in fiscal 2016 to Rs. 3,539.2 billion in fiscal 2017 primarily due to an increase in retail advances. Average foreign currency advances decreased by 6.3% from Rs. 1,555.0 billion in fiscal 2016 to Rs. 1,457.2 billion in fiscal 2017 primarily due to a decrease in advances of ICICI Bank and ICICI Bank UK on account of prepayment and repayment of advances and maturities of loans against foreign currency non-resident deposits.

Average interest-earning investments increased by 12.9% from Rs. 1,969.4 billion in fiscal 2016 to Rs. 2,222.7 billion in fiscal 2017. Average rupee investments increased by 13.0% from Rs. 1,863.9 billion in fiscal 2016 to Rs. 2,105.7 billion in fiscal 2017 primarily due to an increase in investments in Indian government

securities by 12.8% from Rs. 1,349.5 billion in fiscal 2016 to Rs. 1,521.6 billion in fiscal 2017. Average other rupee investments increased by 13.5% from Rs. 514.4 billion in fiscal 2016 to Rs. 584.1 billion in fiscal 2017. Interest-earning rupee investments, other than Indian government securities include investments in corporate bonds and debentures, certificates of deposits, commercial paper, pass through certificates and liquid mutual funds. Average foreign currency investments increased by 10.9% from Rs. 105.5 billion in fiscal 2016 to Rs. 117.0 billion in fiscal 2017.

Average other interest-earning assets increased by 14.6% from Rs. 604.7 billion in fiscal 2016 to Rs. 692.7 billion in fiscal 2017 primarily due to an increase in balances with the Reserve Bank of India and call money lent, offset, in part, by a decrease in average investment in Rural Infrastructure Development Fund and other related deposits.

Interest-bearing liabilities

Average interest-bearing liabilities increased by 8.8% from Rs. 6,094.4 billion in fiscal 2016 to Rs. 6,630.3 billion in fiscal 2017 primarily due to an increase in average deposits by Rs. 557.7 billion.

Average interest-bearing rupee liabilities increased by 15.5% from Rs. 4,155.7 billion in fiscal 2016 to Rs. 4,798.7 billion in fiscal 2017. Average rupee time deposits increased by 14.4% from Rs. 1,891.6 billion in fiscal 2016 to Rs. 2,163.8 billion in fiscal 2017. Average rupee current account and savings account deposits increased by 24.3% from Rs. 1,448.1 billion in fiscal 2016 to Rs. 1,800.5 billion in fiscal 2017 which includes the impact of significantly higher current account and savings account deposits inflows in the second half of the fiscal 2017 following the withdrawal of legal tender status of high denomination currency notes by the government of India. Average rupee borrowings increased by 2.3% from Rs. 815.9 billion in fiscal 2016 to Rs. 834.5 billion in fiscal 2017.

Average interest-bearing foreign currency liabilities decreased by 5.5% from Rs. 1,938.7 billion in fiscal 2016 to Rs. 1,831.5 billion in fiscal 2017. Average foreign currency deposits decreased by 11.1% from Rs. 600.7 billion in fiscal 2016 to Rs. 533.9 billion in fiscal 2017. Average foreign currency deposits of ICICI Bank decreased primarily due to redemption of foreign currency non-resident (bank) deposits mobilized during fiscal 2014. Average deposits of ICICI Bank UK decreased primarily due to a decrease in corporate term deposits and saving deposits.

Average foreign currency borrowings decreased by 3.0% from Rs. 1,338.0 billion in fiscal 2016 to Rs. 1,297.6 billion in fiscal 2017. The foreign currency borrowings of ICICI Bank decreased primarily due to a decrease in term borrowings. Average borrowings of ICICI Bank Canada increased primarily on account of an increase in borrowings through securitization of mortgages. Average borrowings of ICICI Bank UK decreased primarily due to a decrease in repo borrowings. See also “*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio*

and our financial performance".

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 87,697	Rs. 96,344	US$ 1,480	9.9 %
Profit/(loss) on treasury-related activities (net)[1]	66,222	114,366	1,757	72.7
Profit/(loss) on sale of land, buildings and other assets (net)	264	(14)	(0)[2]	N/M
Premium and other operating income from insurance business	263,840	312,028	4,792	18.3
Miscellaneous income	2,998	1,853	28	(38.2)
Total non-interest income	**Rs. 421,021**	**Rs. 524,577**	**US$ 8,057**	24.6 %

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N/M- Not meaningful

(1) Includes profit/(loss) on the sale/revaluation of investments and exchange transactions.

(2) Insignificant amount.

Non-interest income primarily includes income pertaining to our insurance business, commission, exchange and brokerage income, profit/(loss) on treasury-related activities and other miscellaneous income. This analysis of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income increased by 24.6% from Rs. 421.0 billion in fiscal 2016 to Rs. 524.6 billion in fiscal 2017 primarily due to an increase in net earned premium and other operating income relating to insurance business and income from treasury-related activities.

Commission, exchange and brokerage

Commission, exchange and brokerage income primarily includes fees from our banking business as well as fee and brokerage income of our securities broking, asset management and venture capital fund management subsidiaries. The fee income of our banking business primarily includes fees from corporate clients such as loan processing fees, commercial banking fees and structuring fees and fee income from retail customers includes loan processing fees, credit card fees and service charges on retail deposit accounts.

Commission, exchange and brokerage income increased by 9.9% from Rs. 87.7 billion in fiscal 2016 to Rs. 96.3 billion in fiscal 2017. Commission, exchange and brokerage income of ICICI Bank increased from Rs. 74.6 billion in fiscal 2016 to Rs. 80.3 billion in fiscal 2017. The commission, exchange and brokerage income of ICICI Bank increased primarily due to an increase in fee income from retail customers such as credit card fees, fees from retail deposit customers and lending linked fees on retail loans, offset, in part, by a decrease in commercial banking fees and corporate lending linked fees.

Management fees of our asset management subsidiary and brokerage income of our securities broking subsidiary increased in fiscal 2017 as compared to fiscal 2016. Management fees of our asset management subsidiary increased in fiscal 2017 primarily due to an increase in average assets under management and change in product mix in favor of equity mutual funds, which earns higher fees. Brokerage income of our securities broking subsidiary increased primarily due to an increase in retail secondary market volume reflecting improved equity market conditions in fiscal 2017.

Income from treasury-related activities (net)

Income from treasury-related activities includes income from the sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share portfolio, units of venture capital and private equity funds, units of mutual funds and security receipts issued by asset reconstruction companies. Further, it also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions with clients, including options and swaps.

Income from treasury-related activities increased by 72.7% from Rs. 66.2 billion in fiscal 2016 to Rs. 114.4 billion in fiscal 2017 primarily due to higher gains on sale of equity investments and government securities and other fixed income positions.

Income from our equity portfolio increased from Rs. 28.7 billion in fiscal 2016 to Rs. 57.5 billion in fiscal 2017. Income from equity portfolio in fiscal 2016 primarily included a gain of Rs. 16.1 billion on sale of shares of ICICI Prudential Life Insurance Company Limited and Rs. 12.3 billion on sale of shares of ICICI Lombard General Insurance Company Limited. Income from our equity portfolio in fiscal 2017 primarily included a gain of Rs. 51.3 billion on sale of stake in ICICI Prudential Life Insurance Company Limited through an initial public offer.

Income from our government securities portfolio and other fixed income positions increased from Rs. 14.9 billion in fiscal 2016 to Rs. 39.3 billion in fiscal 2017. Yields on the benchmark 10-year Government securities remained in the range of 7.0% to 7.5% during April-October 2016. Yields fell significantly following the withdrawal of legal tender status of Specified Bank Notes to around 6.2% in November 2016 resulting in

increased market opportunities for profit-taking in fiscal 2017 compared to fiscal 2016. Thereafter yields increased to 6.7% at March 31, 2017.

Income from foreign exchange transactions, including transactions with clients and margins on derivatives transactions with clients, decreased from Rs. 22.9 billion in fiscal 2016 to Rs. 14.6 billion in fiscal 2017. Till fiscal 2016, on the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which had been accumulated in the foreign currency translation reserve and which related to that operation were recognized as income or expenses in the same period in which the gain or loss on disposal was recognized. Accordingly, fiscal 2016 included a net exchange gain from repatriation of retained earnings from overseas operations of Rs. 9.4 billion. From fiscal 2017, the Bank does not recognize the cumulative/proportionate amount of such exchange differences as income or expenses, which relate to repatriation of accumulated retained earnings from overseas operations, based on guidelines issued by the Reserve Bank of India. Accordingly, the Bank did not recognize exchange gain of Rs. 2.9 billion on repatriation of retained earnings from its overseas operation in fiscal 2017.

Income relating to our insurance business

Income from our insurance business includes net premium income, fee and commission income, surrender charges and income on foreclosure of policies. Income from our insurance business increased by 18.3% from Rs. 263.8 billion in fiscal 2016 to Rs. 312.0 billion in fiscal 2017 due to an increase in income from both our life insurance and general insurance business.

Income from our life insurance business increased from Rs. 210.0 billion in fiscal 2016 to Rs. 242.9 billion in fiscal 2017.

Net premium income of our life insurance subsidiary increased from Rs. 189.8 billion in fiscal 2016 to Rs. 221.0 billion in fiscal 2017. The premium income (gross of premium on reinsurance ceded) of ICICI Prudential Life Insurance Company increased by 16.6% from Rs. 191.6 billion in fiscal 2016 to Rs. 223.5 billion in fiscal 2017 primarily due to an increase in retail renewal premium and retail new business premium. Retail renewal premium increased by 18.5% from Rs. 120.0 billion in fiscal 2016 to Rs. 142.2 billion in fiscal 2017. Retail new business premium increased by 29.4% from Rs. 54.5 billion in fiscal 2016 to Rs. 70.7 billion in fiscal 2017. Group premium decreased from Rs. 17.1 billion in fiscal 2016 to Rs. 10.7 billion in fiscal 2017.

Fee and other life insurance related income of our life insurance subsidiary increased from Rs. 20.2 billion in fiscal 2016 to Rs. 21.9 billion in fiscal 2017 primarily due to an increase in fund management charges and mortality charges.

Income from our general insurance business increased from Rs. 53.8 billion in fiscal 2016 to Rs. 69.1 billion in fiscal 2017. The net premium income of our general insurance subsidiary increased from Rs. 46.7 billion in fiscal 2016 to Rs. 60.1 billion in fiscal 2017 primarily due to an increase in crop/weather, motor and health insurance business. Commission income of our general insurance subsidiary increased from Rs. 7.1 billion in fiscal 2016 to Rs. 9.0 billion in fiscal 2017 primarily due to higher re-insurance commissions on crop/weather insurance business.

Miscellaneous income

Miscellaneous income decreased from Rs. 3.0 billion in fiscal 2016 to Rs. 1.9 billion in fiscal 2017.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Payments to and provisions for employees	Rs. 69,123	Rs. 78,933	US$ 1,212	14.2 %
Depreciation on own property	8,239	9,116	140	10.6
Auditor's fees and expenses	230	251	4	9.1
Depreciation on leased assets	192	0 (1)	0 (1)	(100.0)

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Expenses pertaining to insurance business	232,710	276,982	4,254	19.0
Other administrative expenses	97,402	116,418	1,788	19.5
Total non-interest expenses	**Rs. 407,896**	**Rs. 481,700**	**US$ 7,398**	18.1 %

1. Insignificant amount.

Non-interest expense primarily includes expenses relating to our insurance business, payment to and provision for employees and other administrative expenses. Operating expenses increased by 18.1% from Rs. 407.9 billion in fiscal 2016 to Rs. 481.7 billion in fiscal 2017 primarily due to an increase in expenses related to insurance business, other administrative expenses and payments to and provisions for employees.

Payments to and provisions for employees

Employee expenses increased by 14.2% from Rs. 69.1 billion in fiscal 2016 to Rs. 78.9 billion in fiscal 2017. Our employee base, including sales executives, employees on fixed term contracts and interns, increased from 97,132 at year-end fiscal 2016 to 107,980 at year-end fiscal 2017.

The employee expenses of ICICI Bank increased by 14.6% from Rs. 50.0 billion in fiscal 2016 to Rs. 57.3 billion in fiscal 2017. Employee expenses increased primarily due to higher salary on account of annual increments and promotions, an increase in average staff strength and higher provision for retirement benefit obligations due to movement in the discount rate linked to the yield on government securities. The employee base of ICICI Bank, including sales executives, employees on fixed term contracts and interns, increased from 74,096 employees at year-end fiscal 2016 to 82,841 employees at year-end fiscal 2017.

Employee expenses of ICICI Prudential Life Insurance Company increased by 9.3% from Rs. 7.5 billion in fiscal 2016 to Rs. 8.2 billion in fiscal 2017. Employee expenses of ICICI Lombard General Insurance Company increased by 26.0% from Rs. 3.7 billion in fiscal 2016 to Rs. 4.7 billion in fiscal 2017. The employee expenses of ICICI Securities Limited increased by 20.7% from Rs. 4.0 billion in fiscal 2016 to Rs. 4.9 billion in fiscal 2017.

Depreciation

Depreciation on owned property increased by 10.6% from Rs. 8.2 billion in fiscal 2016 to Rs. 9.1 billion in fiscal 2017 primarily due to an increase in fixed assets with higher depreciation rates.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance, direct marketing agency expenses and other expenditures. Other administrative expenses increased by 19.5% from Rs. 97.4 billion in fiscal 2016 to Rs. 116.4 billion in fiscal 2017 primarily due to an increase in expenses of ICICI Bank and our insurance subsidiaries. Other administrative expenses of ICICI Bank increased from Rs. 69.8 billion in fiscal 2016 to Rs. 82.6 billion in fiscal 2017 primarily due to an increase in the branch and ATM network and retail business volumes. The number of branches and extension counters (excluding foreign branches and offshore banking units) of ICICI Bank in India increased from 4,450 at year-end fiscal 2016 to 4,850 at year-end fiscal 2017. ICICI Bank also increased its ATM network from 13,766 ATMs at year-end fiscal 2016 to 13,882 ATMs at year-end fiscal 2017.

Other administrative expenses of our insurance subsidiaries increased primarily due to an increase in business support expenses and advertisement expenses which is in line with the increase in business volumes.

Expenses related to our insurance business

Expenses related to our insurance business include claims and benefit payouts, commission expenses and reserves for actuarial liability (including the investible portion of the premium on unit-linked policies of our life insurance business). Expenses relating to our insurance business increased by 19.0% from Rs. 232.7 billion in fiscal 2016 to Rs. 277.0 billion in fiscal 2017.

The expenses related to our life insurance subsidiary increased from Rs. 190.4 billion in fiscal 2016 to Rs. 223.7 billion in fiscal 2017 primarily due to an increase in expenses related to reserves for actuarial liability (including the investible portion of the premium on unit-linked policies) and commission expenses, offset, in part, by a decrease in claims and benefit payouts.

The reserves for the actuarial liability of the life insurance business (including the investible portion of the premium on unit-linked policies) increased from Rs. 170.8 billion in fiscal 2016 to Rs. 209.2 billion in fiscal 2017, primarily due to an increase in the volume of our unit-linked insurance business. The investible portion of the premium on linked policies of our life insurance business represents the amount of premium, including renewal premium received on linked policies of life insurance business invested, after deducting charges and the premium for risk coverage, in the underlying fund. The claims and benefit payouts and commission expenses decreased from Rs. 19.6 billion in fiscal 2016 to Rs. 14.5 billion in fiscal 2017 primarily due to lower surrenders, offset, in part, by an increase in death claims and maturity claims and higher commission expenses which is in line with the change in product-mix and an increase in total premium. In line with Indian accounting norms for insurance companies, we do not amortize the customer acquisition cost, but account for the expenses as incurred.

The expenses related to our general insurance subsidiary increased from Rs. 42.3 billion in fiscal 2016 to Rs. 53.3 billion in fiscal 2017 primarily due to an increase in claims and benefit payouts. Claims and benefit payouts increased from Rs. 39.3 billion in fiscal 2016 to Rs. 49.5 billion in fiscal 2017, reflecting an increase in business volume. The commission expenses increased from Rs. 3.0 billion in fiscal 2016 to Rs. 3.8 billion in fiscal 2017.

See also "*Business—Overview of Our Products and Services—Insurance*".

Provisions and contingencies (excluding tax provisions)

Provisions for Non-performing Assets and Restructured Loans

ICICI Bank classifies its assets, including those in overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines. ICICI Home Finance Company classifies its loans and other credit facilities in accordance with the guidelines of its regulator, the National Housing Bank. Our overseas banking subsidiaries classify a loan as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and the loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated. Under the Reserve Bank of India guidelines, non-performing assets are classified into sub-standard, doubtful and loss assets based on certain pre-defined criteria. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other

than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent the loan amount is outstanding in the host country. Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. The Reserve Bank of India has separate guidelines for restructured loans. From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within prescribed timelines. However, loans granted for implementation of projects that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in asset classification subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India. See also "*Business—Classification of Loans*".

ICICI Bank makes provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided for/written off as required by the Reserve Bank of India guidelines. For loans and advances of overseas branches, we make provisions as per the Reserve Bank of India regulations or host country regulations, whichever is higher. We make provisions on retail non-performing loans at the borrower level in accordance with our retail assets provisioning policy, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement. We make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured/rescheduled loans and advances at rates prescribed by the Reserve Bank of India. For standard loans and advances in overseas branches, we hold a general provision at the higher of host country regulatory

requirements and the Reserve Bank of India requirements. The Bank may create floating provision for the year, in excess of the specific and general provision, as per Board approved policy. The floating provision can only be utilized, with the approval of Board and the Reserve Bank of India. The Bank also holds provisions on loans under strategic debt restructuring, scheme for sustainable and stress assets and change in management outside strategic debt restructuring scheme of the Reserve Bank of India. See also "*Business—Classification of Loans*".

Non-performing Assets

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Opening balance (gross non-performing assets)	Rs. I73,870	Rs. J93,216	US$ L,503	68.6 %
Add: New non-performing assets during the year	178,402	348,281	5,349	95.2
Less: Loans upgraded to performing during the year	(11,504)	(10,078)	(155)	(12.4)
Less: Recoveries (excluding recoveries made from upgraded accounts)	(15,353)	(46,401)[1]	(713)	202.2
Less: Write-offs	(32,199)	(126,157)	(1,938)	291.8
Gross non-performing assets[2]	**Rs. J93,216**	**Rs. 458,861**	**US$ O,047**	56.5
Provisions for non-performing assets[2]	(145,431)	(188,530)	(2,895)	29.6
Net non-performing assets[2]	**Rs. 147,785**	**Rs. J70,331**	**US$ L,152**	82.9
Gross customer assets	Rs. 5,718,339	Rs. 5,923,253	US$ 90,973	3.6
Net customer assets	Rs. M,556,942	Rs. M,720,375	US$ 87,857	2.9
Gross non-performing assets as a percentage of gross customer assets	5.1 %	7.7 %		
Net non-performing assets as a percentage of net customer assets	2.7 %	4.7 %		

(1) Includes non-performing assets transferred to asset reconstruction companies primarily in exchange for the receipt of securities in the form of pass through instruments.

(2) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

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

During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans, into non-performing status during the second half of fiscal 2016. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. The slowdown in economic growth was primarily in the industrial and services sectors, with growth in the industrial sector moderating to 5.6% during fiscal 2017 compared to 8.8% during fiscal 2016, and in the services sector to 7.7% in fiscal 2017 compared to 9.7% in fiscal 2016. Further, during the second half of fiscal 2017, there was a reduction in the availability of cash due to the withdrawal of high denomination currency notes by the government of India, which also impacted businesses. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans during fiscal 2017.

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

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

Gross additions to non-performing consumer loans were Rs. 15.9 billion in fiscal 2017 as compared to Rs. 17.0 billion in fiscal 2016. During fiscal 2017, we upgraded non-performing consumer loans of Rs. 5.3 billion as compared to Rs. 6.3 billion in fiscal 2016. During fiscal 2017, we made recoveries against non-performing

consumer loans of Rs. 7.2 billion and written-off loans of Rs. 2.1 billion. Gross non-performing consumer loans increased from Rs. 26.8 billion at year-end fiscal 2016 to Rs. 28.1 billion at year-end fiscal 2017.

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

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

See also "*Business—Classification of Loans—Non-performing Assets*".

Restructured Loans

The following table sets forth, at the dates indicated, information regarding roll-forward and average balances of standard restructured loans.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Opening balance (gross restructured loans)	Rs. I30,787	Rs. 98,674	US$I,515	(24.6)%
Add: Loans restructured during the year	23,089	5,826	89	(74.8)
Add: Increase in loans outstanding in respect of previously restructured loans/borrowers	9,939	1,112	17	(88.8)
Less: Loans upgraded to standard category during the year	(78)	—	(-)	(100.0)
Less: Loans downgraded to non-performing category during the year	(53,002)	(48,428)	(744)	(8.6)
Less: Repayments during the year	(12,061)	(6,329)	(97)	(47.5)
Gross restructured loans	Rs. **98,674**	Rs. **50,855**	US$O81	(48.5)

Provisions for restructured loans	(7,581)	(3,012)	(46)	(60.3)
Net restructured loans	**Rs. 91,093**	**Rs. 47,843**	**US$ O35**	(47.5)
Average balance of net restructured loans[1]	Rs. 118,602	Rs. 70,350	US$ 1,080	(40.7)
Gross customer assets	Rs. 5,718,339	Rs. 5,923,253	US$ 90,973	3.6
Net customer assets	Rs. 5,556,942	Rs. 5,720,375	US$ 87,857	2.9
Gross restructured loans as a percentage of gross customer assets	1.7%	0.9%		
Net restructured loans as a percentage of net customer assets	1.6%	0.8%		

(1) The average balance is the average of quarterly balances outstanding at the end of March of the previous year and June, September, December and March of the current year.

(2) Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a borrower where any of the loan facilities have been restructured.

During fiscal 2017, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 6.9 billion, as compared to Rs. 33.0 billion during fiscal 2016. Further, during fiscal 2017, restructured standard loans amounting to Rs. 48.4 billion were classified as non-performing due to failure of borrowers to perform as per

restructured debt terms, compared to Rs. 53.0 billion during fiscal 2016. Restructured loans amounting to Rs. 6.3 billion were repaid in fiscal 2017 as compared to Rs. 12.1 billion in fiscal 2016. The gross outstanding standard restructured loans decreased from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 50.9 billion at year-end fiscal 2017 and the net outstanding restructured loans decreased from Rs. 91.1 billion at year-end fiscal 2016 to Rs. 47.8 billion at year-end fiscal 2017.

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

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

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

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

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

Apart from the strategic debt restructuring scheme, the Reserve Bank of India has issued guidelines with respect to loans to borrowers, whose ownership is undergoing change outside the strategic debt restructuring framework. The Reserve Bank of India guidelines allow the stand-still benefits in asset classification of borrowers in line with the strategic debt restructuring scheme. ICICI Bank had initiated the process of change of ownership outside strategic debt

restructuring for a borrower with gross loans outstanding of about Rs. 51.1 billion at year-end fiscal 2017.

During fiscal 2017, the Reserve Bank of India introduced a scheme for sustainable structuring of stressed assets and issued guidelines which seek to strengthen the ability of banks to undertake resolution of large borrower accounts that are facing financial difficulties on account of delays in completing large projects. The scheme, which was superseded and discontinued by the Reserve Bank of India in fiscal 2018, aimed to enable lenders to initiate deep financial restructuring, subject to fulfillment of certain conditions, for sustainable revival of projects. The scheme envisaged bifurcation of the current dues of a borrower into sustainable debt and other than sustainable debt as per an independent study of the viability of the borrower's operations. The scheme also envisaged that the asset classification of the borrower as on a 'reference date' (date in which the lenders jointly decide to invoke the scheme) will continue for a period of 180 days (stand-still period). At year-end fiscal 2017, ICICI Bank implemented the scheme for sustainable structuring of stressed assets in two standard borrower accounts with an aggregate balance outstanding of about Rs. 2.9 billion, comprising Rs. 1.6 billion of sustainable debt and Rs. 1.4 billion of unsustainable debt.

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

Provisions and contingencies

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Provision for investments (net)	Rs.J,985	Rs. 9,364	US$144	213.7 %
Provision for non-performing and other assets	77,189	157,453	2,418	104.0
Collective contingency and related reserve	36,000	—	—	(100.0)
Provision for standard assets	3,176	(3,734)	(57)	N/M
Others	3,704	2,742	42	(26.0)
Total provisions and contingencies (excluding tax)	Rs.**123,054**	Rs.**I65,825**	US$ **2,547**	34.8 %

N/M- Not meaningful

Provisions and contingencies increased by 34.8% from Rs. 123.1 billion in fiscal 2016 to Rs. 165.8 billion in fiscal 2017. This increase was primarily due to an increase in provisions for non-performing assets. Provisions for non-performing loans and other assets increased from Rs. 77.2 billion in fiscal 2016 to Rs. 157.5 billion in fiscal 2017 primarily due to significantly higher additions to non-performing assets in the corporate and small and medium enterprises loan portfolio including downgrades from the restructured loan portfolio, cases where strategic debt restructuring has been invoked/implemented and specific provision on certain standard loans. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability and subdued investment activity. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that were set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment adversely impacted the pace of resolution leading to a significant increase in non-performing loans and provisions during fiscal 2017.

During fiscal 2017, in accordance with the Reserve Bank of India guidelines, the Bank had created floating provisions aggregating to Rs. 15.2 billion which were subsequently utilized during the fiscal by allocating it to specific non-performing loans.

ICICI Bank had disclosed its fund-based exposure and outstanding non-fund based facilities internally rated below investment grade (excluding borrowers classified as non-performing or restructured) at year-end fiscal 2016 to certain sectors and promoter entities internally rated below investment grade where the underlying was partly linked to these sectors. In view of the uncertainties relating to these sectors and the time that it might take to resolve the Bank's exposure to these sectors, the Bank had made a collective contingency and related reserve in fiscal 2016 amounting to Rs. 36.0 billion towards these exposures to these sectors. This reserve was over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under the Reserve Bank of India guidelines and Indian GAAP. During fiscal 2017, ICICI Bank re-allocated the full amount of the collective contingency and related reserve towards the provisions for loans and fixed assets acquired in partial satisfaction of loans.

The Bank's provisioning coverage ratio (specific provisions as a percentage of non-performing advances) at year-end fiscal 2017, computed in accordance with the Reserve Bank of India guidelines, was 40.2%.

See also "*Business—Classification of Loans—Non-Performing Assets*" and "*Business—Classification of Loans—Restructured Loans*".

Provision for standard assets decreased from a provision of Rs. 3.2 billion in fiscal 2016 to a reversal of provision of Rs. 3.7 billion in fiscal 2017 primarily due to higher slippages from standard assets to non-performing assets and invocation of strategic debt restructuring in certain standard assets, where the Bank makes specific provision in accordance with the Reserve Bank of India guidelines. We held a cumulative general

provision of Rs. 25.5 billion at year-end fiscal 2017 compared to Rs. 29.2 billion (excluding the collective contingency and related reserve) at year-end fiscal 2016.

Provision for investments increased from Rs. 3.0 billion in fiscal 2016 to Rs. 9.4 billion in fiscal 2017 primarily due to provisions on security receipts and equity shares acquired on conversion of loans.

Tax Expense

Income tax expense decreased by 26.9% from Rs. 33.8 billion in fiscal 2016 to Rs. 24.7 billion in fiscal 2017. The effective tax rate decreased from 23.6% in fiscal 2016 to 17.9% in fiscal 2017 primarily due to a decrease in the effective tax rate of the Bank, offset, in part, by higher profit before taxes in domestic subsidiaries.

Income tax expense of the Bank decreased by 40.2% from Rs. 24.7 billion in fiscal 2016 to Rs. 14.8 billion in fiscal 2017. The effective tax rate of the Bank decreased from 20.3% in fiscal 2016 to 13.1% in fiscal 2017 primarily due to long-term capital gain from sale of shares of ICICI Prudential Life Insurance Company, which is exempt from income tax.

Income tax expenses of our asset management subsidiary increased from Rs. 1.7 billion in fiscal 2016 to Rs. 2.6 billion in fiscal 2017 and our securities dealership subsidiary from Rs. 1.1 billion in fiscal 2016 to Rs. 2.2 billion in fiscal 2017.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			

Cash and cash equivalents	Rs.	650,359	Rs.	804,909	US$	12,362	23.8	%
Investments		2,860,441		3,043,733		46,748	6.4	
Advances (net of provisions)		4,937,291		5,153,173		79,146	4.4	
Fixed assets		87,135		93,380		1,434	7.2	
Other assets		640,044		762,052		11,704	19.1	
Total assets	**Rs.**	**9,175,270**	**Rs.**	**9,857,247**	**US$**	**151,394**	**7.4**	**%**

Our total assets increased by 7.4% from Rs. 9,175.3 billion at year-end fiscal 2016 to Rs. 9,857.2 billion at year-end fiscal 2017 primarily due to an increase in net advances, investments and cash and cash equivalents. Net advances increased by 4.4% from Rs. 4,937.3 billion at year-end fiscal 2016 to Rs. 5,153.2 billion at year-end fiscal 2017. Investments increased by 6.4% from Rs. 2,860.4 billion at year-end fiscal 2016 to Rs. 3,043.7 billion at year-end fiscal 2017. Cash and cash equivalents increased by 23.8% from Rs. 650.4 billion at year-end fiscal 2016 to Rs. 804.9 billion at year-end fiscal 2017.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with the Reserve Bank of India and other banks, including money at call and short notice. Cash and cash equivalents increased from Rs. 650.4 billion at year-end fiscal 2016 to Rs. 804.9 billion at year-end fiscal 2017 primarily due to an increase in money lent at call and short notice and balances with the Reserve Bank of India. Money at call and short notice increased primarily due to significantly higher inflows consequent to the withdrawal of legal tender status of high denomination currency notes by the government of India.

Investments

Total investments increased by 6.4% from Rs. 2,860.4 billion at year-end fiscal 2016 to Rs. 3,043.7 billion at year-end fiscal 2017. Investments of ICICI Bank increased from Rs. 1,604.1 billion at year-end fiscal 2016 to Rs. 1,615.1 billion at year-end fiscal 2017 primarily due to an increase in investments in pass through

certificates, security receipts and commercial paper, offset, in part, by a decrease in investments in certificate of deposits and government securities.

Investments of ICICI Prudential Life Insurance Company increased from Rs. 1,023.3 billion at year-end fiscal 2016 to Rs. 1,204.1 billion at year-end fiscal 2017. Investments held to cover linked liabilities increased from Rs. 753.0 billion at year-end fiscal 2016 to Rs. 878.8 billion at year-end fiscal 2017 primarily due to an increase in investment in equity shares and corporate bonds. Investments, other than investments held to cover linked liabilities, increased from Rs. 270.3 billion at year-end fiscal 2016 to Rs. 325.3 billion at year-end fiscal 2017 primarily due to an increase in investment in government securities, equity shares and corporate bonds.

Investments of ICICI Lombard General Insurance Company increased from Rs. 112.8 billion at year-end fiscal 2016 to Rs. 146.7 billion in fiscal 2017 primarily due to an increase in investment in debentures, bonds and equity investments.

Investments of ICICI Securities Primary Dealership Limited decreased from Rs. 139.0 billion at year-end fiscal 2016 to Rs. 94.9 billion in fiscal 2017 primarily due to the sale of government securities to capture market opportunities.

Investments of ICICI Bank UK decreased by 10.0% from Rs. 49.3 billion at year-end fiscal 2016 to Rs. 44.3 billion at year-end fiscal 2017 primarily due to the maturity of certain investments in government securities. ICICI Bank Canada’s investment portfolio increased by 6.1% from Rs. 30.7 billion at year-end fiscal 2016 to Rs. 32.6 billion at year-end fiscal 2017 primarily due to deployment of additional liquidity in bankers’ acceptances.

Our total investment in Indian government securities decreased from Rs. 1,436.8 billion at year-end fiscal 2016 to Rs. 1,401.5 billion at year-end fiscal 2017.

At year-end fiscal 2017, the Bank had an outstanding net investment of Rs. 32.9 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets, compared to Rs. 7.9 billion at year-end fiscal 2016. See also “*Business—Overview of Our Products and Services—Treasury*”.

Advances

Net advances increased by 4.4% from Rs. 4,937.3 billion at year-end fiscal 2016 to Rs. 5,153.2 billion at year-end fiscal 2017 primarily due to an increase in retail advances.

Net advances of the Bank increased by 6.7% from Rs. 4,352.6 billion at year-end fiscal 2016 to Rs. 4,642.3 billion at year-end fiscal 2017. Net domestic retail advances of ICICI Bank increased by 18.5% from Rs. 2,027.9 billion at year-end fiscal 2016 to Rs. 2,403.1 billion at year-end fiscal 2017 primarily due to an increase in the home loans, rural loans, personal loans and automobile loan portfolios. Net advances of the overseas branches of ICICI Bank decreased by 20.1% from Rs. 938.1 billion at year-end fiscal 2016 to Rs. 749.9 billion at year-end fiscal 2017. Net advances of ICICI Home Finance increased by 2.9% from Rs. 86.3 billion at year-end fiscal 2016 to Rs. 88.8 billion at year-end fiscal 2017.

Advances of ICICI Bank UK decreased from Rs. 209.1 billion at year-end fiscal 2016 to Rs. 153.9 billion at year-end fiscal 2017 primarily due to a decrease in corporate loans on account of prepayment/sell-down and maturities of retail loans against Foreign Currency Non-Resident (Bank) deposits.

Advances of ICICI Bank Canada decreased from Rs. 295.5 billion at year-end fiscal 2016 to Rs. 272.0 billion at year-end fiscal 2017 primarily due to prepayment/repayment of corporate loans in fiscal 2017. See also "*Business – Loan Portfolio*".

Fixed and other assets

Fixed assets include premises, furniture and fixtures, assets given on lease and other fixed assets. Fixed assets increased by 7.2% from Rs. 87.1 billion at year-end fiscal 2016 to Rs. 93.4 billion at year-end fiscal 2017. Other assets increased from Rs. 640.0 billion at year-end fiscal 2016 to Rs. 762.1 billion at year-end fiscal 2017 primarily due to an increase in trade receivables, deferred tax assets, non-banking assets acquired in satisfaction of claims and an increase in premium receivables of our general insurance subsidiary, offset, in part, by a decrease in rural infrastructure and development fund and related deposits. During fiscal 2017, the Bank acquired fixed assets amounting to Rs. 16.3 billion (fiscal 2016: Rs. 17.2 billion) in satisfaction of claims including debt-assets swap transactions.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Deposits	Rs. 4,510,774	Rs. 5,125,873	US$ 78,726	13.6 %
Borrowings[1]	2,203,777	1,882,868	28,918	(14.6)
Other liabilities[2]	1,486,056	1,753,533	26,932	18.0
Minority interest	33,556	48,653	748	45.0
Total liabilities	8,234,163	8,810,927	135,324	7.0
Equity share capital	11,632	11,651	179	0.2
Reserves and surplus[3]	929,475	1,034,669	15,891	11.3
Total liabilities (including capital and reserves)	**Rs. 9,175,270**	**Rs. 9,857,247**	**US$ 151,394**	7.4 %

(1) Includes subordinated debt and redeemable non-cumulative preference shares.

(2) Includes proposed dividend (including corporate dividend tax) of Rs. 32.9 billion for fiscal 2016. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for proposed dividend for fiscal 2017, which was paid in fiscal 2018, in the financial statements for fiscal 2017.

(3) Includes employees' stock options outstanding.

Our total liabilities (including capital and reserves) increased by 7.4% from Rs. 9,175.3 billion at year-end fiscal 2016 to Rs. 9,857.2 billion at year-end fiscal 2017, primarily due to an increase in deposits and other liabilities, offset, in part, by a decrease in borrowings.

Deposits

Deposits increased by 13.6% from Rs. 4,510.8 billion at year-end fiscal 2016 to Rs. 5,125.9 billion at year-end fiscal 2017. Deposits of ICICI Bank increased by 16.3% from Rs. 4,214.3 billion at year-end fiscal 2016 to Rs. 4,900.4

billion at year-end fiscal 2017 primarily due to significantly higher current account and saving account deposits inflows post the withdrawal of legal tender status of high denomination currency notes by the government of India, offset, in part, by redemption of about US$ 1.75 billion of foreign currency non-resident bank deposits mobilized during fiscal 2014. Savings account deposits increased by 28.0% from Rs. 1,342.3 billion at year-end fiscal 2016 to Rs. 1,718.4 billion at year-end fiscal 2017 and current account deposits increased by 27.4% from Rs. 588.7 billion at year-end fiscal 2016 to Rs. 749.8 billion at year-end fiscal 2017. Term deposits increased by 6.5% from Rs. 2,283.3 billion at year-end fiscal 2016 to Rs. 2,432.2 billion at year-end fiscal 2017. The current account and savings account deposits increased from Rs. 1,931.0 billion at year-end fiscal 2016 to Rs. 2,468.2 billion at year-end fiscal 2017. Deposits of overseas branches decreased by 37.1% from Rs. 110.0 billion at year-end fiscal 2016 to Rs. 69.2 billion at year-end fiscal 2017. At year-end fiscal 2017, deposits of the Bank formed 76.9% of the funding (i.e., deposits and borrowings, including subordinated debt and redeemable non-cumulative preference shares). See also *"Business—Funding"*.

Deposits of ICICI Bank Canada decreased from Rs. 140.0 billion at year-end fiscal 2016 to Rs. 124.2 billion at year-end fiscal 2017, primarily due to a decrease in term deposits, offset, in part, by an increase in current deposits. Term deposits decreased from Rs. 101.9 billion at year-end fiscal 2016 to Rs. 84.9 billion at year-end fiscal 2017. Current account deposits increased from Rs. 7.2 billion at year-end fiscal 2016 to Rs. 10.1 billion at year-end fiscal 2017.

Deposits of ICICI Bank UK decreased from Rs. 163.4 billion at year-end fiscal 2016 to Rs. 106.9 billion at year-end fiscal 2017, primarily due to a decrease in institutional deposits, retail term and saving deposits, offset, in part, by an increase in corporate term deposits.

Borrowings

Borrowings decreased by 14.6% from Rs. 2,203.8 billion at year-end fiscal 2016 to Rs. 1,882.9 billion at year-end fiscal 2017. Borrowings of ICICI Bank decreased by 15.6% from Rs. 1,748.1 billion at year-end fiscal

2016 to Rs. 1,475.6 billion at year-end fiscal 2017, primarily due to a decrease in call and term money borrowings, refinance borrowings, borrowings with the Reserve Bank of India under liquidity adjustment facility and subordinated bond borrowings, offset, in part, by an increase in bond borrowings. Net borrowings of overseas branches decreased by 16.3% from Rs. 959.8 billion at year-end fiscal 2016 to Rs. 803.5 billion at year-end fiscal 2017.

Borrowings of ICICI Bank UK decreased from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 81.2 billion at year-end fiscal 2017 primarily due to a decrease in repo borrowings. Borrowings of ICICI Bank Canada decreased from Rs. 153.8 billion at year-end fiscal 2016 to Rs. 150.9 billion at year-end fiscal 2017. Borrowings of ICICI Bank Home Finance Company decreased marginally from Rs. 74.5 billion at year-end fiscal 2016 to Rs. 74.2 billion at year-end fiscal 2017. See also "*Business—Funding*".

Other liabilities

Other liabilities primarily consist of liabilities on insurance policies in force pertaining to our insurance subsidiaries and proposed dividend including corporate dividend tax. Other liabilities increased by 18.0% from Rs. 1,486.1 billion at year-end fiscal 2016 to Rs. 1,753.5 billion at year-end fiscal 2017, primarily due to an increase in liabilities on policies in force of our life insurance business by Rs. 184.4 billion from Rs. 970.5 billion at year-end fiscal 2016 to Rs. 1,155.0 billion at year-end fiscal 2017.

Other liabilities in fiscal 2016 included proposed dividends (including corporate dividend tax) of Rs. 32.9 billion. Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for proposed dividend for fiscal 2017, which was paid in fiscal 2018, in the financial statements for fiscal 2017. In India, dividends declared for a fiscal year are normally paid in the following year. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which was paid in fiscal 2017. We declared a dividend of Rs. 2.50 per equity share for fiscal 2017, which has been paid in fiscal 2018.

Equity share capital and reserves

Stockholders' equity increased from Rs. 941.1 billion at year-end fiscal 2016 to Rs. 1,046.3 billion at year-end fiscal 2017 primarily due to the annual accretion to reserves out of profit.

Pursuant to amendment in Accounting Standard, AS 4 - 'Contingencies and events occurring after balance sheet date', the Bank has not accounted for proposed dividend for fiscal 2017, which was paid in fiscal 2018, in the financial statements for fiscal 2017. Accordingly, the proposed dividend has not been reduced from the net worth at March 31, 2017.

Off Balance Sheet Items, Commitments and Contingencies

Foreign Exchange and Derivatives Contracts

We enter into foreign exchange forwards, options, swaps and other derivatives products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities.

The following table sets forth, at the dates indicated, the notional amount and fair value of foreign exchange and interest rate derivatives contracts.

	Notional principal amounts				Balance sheet fair value[1]			
	At March 31,				At March 31,			
	2016	2017	2018	2018	2016	2017	2018	2018
	(in millions)							
Interest rate products:								
Swap agreements	Rs. 4,825,926	Rs. 6,118,473	Rs. I1,788,157	US$ 181,050	Rs. 19,289	Rs. 3,795	Rs. (4,784)	US$ [illegible]
Others	53,847	65,252	86,932	1,335	(449)	150	70	[illegible]
Total interest rate products	Rs. 4,879,773	Rs. 6,183,725	Rs. 11,875,089	US$ 182,385	Rs. 18,840	Rs. 3,945	Rs. (4,714)	US$[illegible]

products								
Foreign exchange products:								
Forward contracts	Rs. 3,770,911	Rs. 4,446,642	Rs. 4,461,284	US$ 68,519	Rs. 1,534	Rs. (538)	Rs. (1,916)	US$ (29)
Swap agreements	468,883	411,069	417,771	6,416	2,902	9, 062	8,765	135
Others	462,022	518,974	578,555	8,886	(2,608)	(2,131)	163	2
Total foreign exchange products	**Rs. 4,701,816**	**Rs. 5,376,684**	**Rs. 5,457,610**	**US$ 83,821**	**Rs. 1,828**	**Rs. 6,393**	**Rs. 7,012**	US$ **108**

(1) Denotes the net mark-to-market impact of the derivatives and foreign exchange products on the reporting date.

The notional principal amount of interest rate products increased from Rs. 6,183.7 billion at year-end fiscal 2017 to Rs. 11,875.1 billion at year-end fiscal 2018 primarily due to an increase in outstanding position of overnight index swaps in the Bank and our primary dealership subsidiary. The credit exposure on interest rate derivatives increased from Rs. 78.5 billion at year-end fiscal 2017 to Rs. 131.7 billion at year-end fiscal 2018. The notional principal amount of foreign exchange products increased from Rs. 5,376.7 billion at year-end fiscal 2017 to Rs. 5,457.6 billion at year-end fiscal 2018. The credit exposure on foreign exchange derivatives decreased from Rs. 218.9 billion at year-end fiscal 2017 to Rs. 207.5 billion at year-end fiscal 2018.

An interest rate swap does not entail the exchange of notional principal, and the cash flow arises because of the difference between the interest rate pay and receive portions of the swap, which is generally much lower than the notional principal of the swap. A large proportion of interest rate swaps, currency swaps and forward exchange contracts are on account of market making, which involves providing regular two-way prices to customers or inter-bank counter-parties. This results in the generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio. For example, if a transaction entered into with a customer is covered by an exactly opposite transaction entered into with another counterparty, the net market risk of the two transactions will be zero whereas the notional principal amount of the portfolio will be the sum of both transactions. We had no funded credit derivatives instruments and non-funded credit derivatives instruments at year-end fiscal 2018.

Securitization

The Bank primarily securitizes retail loans through securitization transactions involving special purpose entities, usually constituted as trusts. Post securitization of the loans, we continue to act as the servicing agent and maintain customer account relationships and service these set of loans transferred to the securitization trusts. The securitization transactions can be either with or without credit enhancement. In accordance with the Reserve Bank of India guidelines for securitization of standard assets, the Bank accounts for any loss arising from securitization immediately at the time of sale and the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by the Reserve Bank of India guidelines.

The Bank acts in different capacities and under different contracts for a consideration including as originator, liquidity facility provider, servicing agent credit enhancement provider, underwriter, senior contributor etc.

In a securitization transaction, the excess interest spreads from the underlying assets in securitization transactions are generally subordinated to provide credit enhancement. In addition to the subordination of excess interest spreads, the Bank in a separate capacity provides external credit enhancement facilities to mitigate cash flow shortfalls that may arise from the underlying asset delinquencies. These facilities include first loss credit enhancement representing the first or primary level of protection provided to bring the ratings accorded to the beneficial interests of senior contributors to investment grade. The Bank also provides second loss credit enhancement representing a subsequent level of protection provided to protect the beneficiaries against further cash flow shortfalls. The Bank has provided credit enhancement (first loss and second loss enhancement) on the securitized pools originated by the Bank and guarantees (second loss enhancement) provided to the pools originated by a third party. The Bank, in a separate capacity, provides liquidity facilities to help smoothen the timing differences faced by the special purpose vehicles between the receipt of cash flows from the underlying assets and the payments to be made to the investors. The liquidity facility enjoys a priority of claim over the future cash flows from the underlying assets, which is even senior to the claims of the senior contributors.

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With respect to the securitized pools originated by the Bank, the first loss and second loss credit enhancements are provided either in the form of undertakings or cash collateral in a current account operated by the trust.

The total outstanding first loss credit enhancements at year-end fiscal 2018 were Rs. 2.0 billion and second loss credit enhancements were Rs. 1.4 billion for securitized pools originated by the Bank. With respect to the second loss guarantees provided to the third party originated pools, the outstanding at year-end fiscal 2018 was Rs. 4.2 billion.

Our Canadian subsidiary has entered into securitization arrangements in respect of its self-originated and/or purchased (originated by third parties) insured residential mortgages, to issue National Housing Act Mortgage-backed Securities and also participates in Canada Mortgage Bonds program as a seller. The National Housing Act Mortgage-backed Securities are backed by pools of amortizing residential mortgages insured by the Canada Mortgage and Housing Corporation or approved third party insurers (which are generally guaranteed by the federal Government of Canada). The Canada Mortgage Bonds, introduced by Canada Mortgage and Housing Corporation, is a guaranteed, semi-annual coupon, bullet-maturity bond. Canada Mortgage Bonds are issued by a special purpose trust, known as Canada Housing Trust.

As required under the Canada Mortgage Bonds program, our Canadian subsidiary, as an issuer, has undertaken to remit monthly to the Central Payor and Transfer Agent the payments of principal and interest accrued and due on the mortgage loans in the pools. ICICI Bank Canada has also undertaken to make the payments to the Central Payor and Transfer Agent on the due dates even if the corresponding amounts have not been received and collected by them in respect of the pools. At year-end fiscal 2018, the outstanding balance of such securitized insured mortgages were CAD 2.8 billion.

Loan Commitments

We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated to Rs. 1,377.9 billion (including fund-based commitments fungible with non-fund-based facilities) at year-end fiscal 2018, compared to Rs. 1,364.1 billion at year-end fiscal 2017. The interest rate on a significant portion of these commitments is dependent on the lending rates prevailing on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower’s ability to maintain specific credit standards.

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. The estimated amounts of contracts remaining to be executed on capital projects increased from Rs. 5.5 billion at year-end fiscal 2017 to Rs. 5.6 billion at year-end fiscal 2018.

Other Contractual Obligations

The following table sets forth certain contractual obligations at year-end fiscal 2018.

Contractual Obligations	Payments due by period Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions, except percentages)				
Long-term debt obligations	Rs. I,609,367	Rs. 237,722	Rs. 667,762	Rs. 343,123	Rs. 360,760
Time deposits	2,851,397	2,268,032	460,725	99,657	22,982
Life-insurance obligations[1]	2,000,782	(93,471)	(207,476)	(26,581)	2,328,310
Gratuity obligations[2]	17,260	1,800	3,353	3,466	8,641 [3]
Pension obligations[2]	10,440	1,079	2,323	2,336	4,702 [3]
Operating lease obligations	2,803	510	960	669	664
Guarantees[4],[5]					
Financial guarantees	440,612	308,695	104,817	19,412	7,688
Performance guarantees	650,275	346,621	209,461	73,059	21,134
Total	**Rs. O,582,936**	**Rs. K,070,988**	**Rs. 1,241,925**	**Rs. 515,141**	**Rs. 2,754,881**

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(1) The amounts shown represent an estimate of undiscounted cash flows under life insurance contracts. The cash flows shown consist of expected benefit payments net of premiums receivable as per the contractual terms. Cash flows associated with benefit payments are projected based on assumptions for factors like mortality and investment returns. The cash flows included in the above table are different from the liabilities on policies in effect on March 31, 2018 that are disclosed in the balance sheet because the liabilities are disclosed at discounted values and include an allowance for other non-contractual cash flows, such as expenses.

(2) Based on actuarial assumptions.

(3) Based on outflow estimates between five and 10 years.

(4) The amount represents maximum amount of obligation.

(5) Based on contractual maturity.

Long-term debt obligations

Long-term debt represents debt with an original contractual maturity greater than one year. Maturity distribution is based on contractual maturity or the date, at which the debt is callable at the option of the holder, whichever is earlier. For a detailed discussion on long-term debt, see note 3 to our "Consolidated Financial Statements—Additional Notes" included herein.

Time deposits

Time deposits represent deposits with fixed maturity terms. Generally, time deposits can be withdrawn by the depositors any time before maturity, subject to certain prepayment charges.

Life insurance obligations

Life insurance obligations primarily include liabilities for life insurance policies, including both unit-linked and non-linked policies.

A unit-linked life insurance policy is a policy in which the cash value of the policy varies according to the net asset value of units (i.e., shares) in investment assets chosen by the policyholder. The unit liability is equal to the net asset value of the units in each policy as of the valuation date. The non-unit liability for linked insurance policies and the liability for non-linked life insurance policies is calculated using the gross premium method using assumptions for interest, mortality, expense and inflation. For participating policies, the assumptions are also made for future bonuses, together with allowances for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

Gratuity obligations

We provide gratuity, a defined benefit retirement plan covering all employees who retire or resign after a minimum prescribed period of continuous service. The plan provides a lump sum payment to eligible employees at retirement or termination of employment based on the respective employee’s salary and years of employment with us.

The gratuity benefit is provided to employees through either an in-house fund or separate funds managed by Life Insurance Corporation of India Limited and ICICI Prudential Life Insurance Company Limited. We are responsible for settling the gratuity obligation through contribution to these funds.

Pension obligations

The Bank provides pensions—deferred retirement plans—covering certain employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. The plans provide for monthly pension payments to these employees when they retire. These payments are based on the respective employee’s years of service with the Bank and applicable salary and include a cost of living adjustment. Pension funds for employees in service who previously worked at the former Bank of Madura, Sangli Bank or Bank of Rajasthan are managed in an in-house trust and the liability is funded as per actuarial valuation.

Pursuant to a master policy, the Bank purchases annuities from Life Insurance Corporation and ICICI Prudential Life Insurance Company Limited for the benefit of employees upon their retirement. These annuities

provide the pension payments to retired employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan.

Operating lease obligations

We have commitments under long-term operating leases principally for premises. The following table sets forth a summary of future minimum lease rental commitments at year-end fiscal 2018.

Lease rental commitments for fiscal	(in millions)
2019	Rs. M10
2020	495
2021	465
2022	369
2023	300
Thereafter	664
Total minimum lease commitments	**Rs. 2,803**

Guarantees

As a part of our project financing and commercial banking activities, we have issued bank guarantees to support business requirements of our clients. Guarantees represent irrevocable assurances that the Bank will pay in the event a customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary, when a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary, where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years. The credit risks, as well as the operating risks, associated with bank guarantees are similar to those relating to other types of unfunded facilities. We enter into guarantee arrangements after conducting appropriate due diligence on our clients. We generally review these facilities on an annual basis. If a client's risk profile deteriorates to an unacceptable level, we may choose not to renew the guarantee upon expiry or may require additional security sufficient to protect our exposure. Guarantees increased by 7.0% from Rs. 1,020.0 billion at year-end fiscal 2017 to Rs. 1,090.9 billion at year-end fiscal 2018.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At year-end fiscal			
	2016	2017	2018	2018

					2018/2017 % change
	(in millions, except percentages)				
Financial guarantees	Rs. 460,968	Rs. 388,779	Rs. 440,612	US$ 6,767	13.3 %
Performance guarantees	630,784	631,185	650,275	9,987	3.0
Total guarantees	**Rs. I,091,752**	**Rs. 1,019,964**	**Rs. 1,090,887**	**US$ 16,754**	**7.0 %**

Financial guarantees constituted approximately 40% of our guarantee exposure at year-end fiscal 2018. Of these financial guarantees, approximately 12% were issued towards risk participation, syndication and favoring other lenders as beneficiaries to allow our clients to avail credit assistance or credit enhancement from other lenders. The remaining financial guarantees were issued to support other business requirements of our clients, such as guarantees for the procurement of goods or guarantees in lieu of security/cash deposits. Performance guarantees constituted 60% of our guarantee exposure at year-end fiscal 2018.

Illustrative examples of client business activities requiring guarantees include: contracts to procure goods from suppliers where guarantees are obtained by clients to provide suppliers with assurance of payment in case the clients fail to pay upon receipt of goods; submission of bids for projects where guarantees are obtained by clients to provide assurance of performance of contract obligations in case the bid is awarded to them; advances against goods or services to be supplied by clients to their own customers where guarantees are obtained by clients to assure their customers of a refund of the advance in case the clients are unable to supply goods or services; guarantees provided in lieu of security deposits or cash deposits that clients would otherwise be required to maintain with stock exchanges; commodity exchanges, regulatory authorities or other bodies, or for participating in tenders or in other business contracts; and guarantees obtained by clients in favor of lenders that

enable the clients to receive credit assistance or credit enhancement from lenders by providing such lenders with assurance of payment.

Upon default by a client under the terms of the guarantee, the beneficiary may exercise its rights under the guarantees, and we are obligated to honor payments to the beneficiaries. Banks and financial institutions are beneficiaries for some of our financial guarantees, so as to enable clients to receive financial assistance from these banks and financial institutions. If our clients default on such loans, the banks and financial institutions may exercise their rights under the guarantee and we are obligated to honor payments to them. Amounts that we pay to the other banks and financial institutions and do not recover from clients are subject to the Reserve Bank of India's prudential norms on income recognition, asset classification and provisioning pertaining to advances.

In some cases, we have collateral available to reimburse potential losses on our guarantees. Margins in the form of cash and fixed deposit available to us to reimburse losses realized under guarantees increased from Rs. 85.7 billion at year-end fiscal 2017 to Rs. 137.4 billion at year-end fiscal 2018 primarily due to an increase in cash margins received against the guarantees issued by the Bank to a clearing agency for settling derivative transactions on behalf of our customers. Other property or security may also be available to us to cover losses under these guarantees.

Our related party guarantees amounted to Rs. 1 million at year-end fiscal 2018.

The following table sets forth the roll-forward of activity for guarantees at year-end fiscal 2018.

Particulars	Performance Guarantees	Financial Guarantees
	(in millions)	
Opening balance at April 1, 2017	Rs. 631,185	Rs. 388,779
Additions: Issued during the year	290,837	343,386
Deletions: Closed due to expiry/termination during the year	(263,971)	(260,517)
Invoked and paid during the year	(7,776)	(31,036)
Closing balance at year-end fiscal 2018	**Rs. 650,275**	**Rs. 440,612**

Capital Resources

We actively manage our capital to meet regulatory norms and current and future business needs, considering the risks in its businesses, expectations of rating agencies, shareholders and investors, and the available options of raising

capital. Its capital management framework is administered by the Finance Group and the Risk Management Group under the supervision of the Board and the Risk Committee. The capital adequacy position and assessment is reported to the Board and the Risk Committee periodically.

Regulatory capital

Reserve Bank of India issued final Basel III guidelines, applicable with effect from April 1, 2013 which is implemented in a phased manner through till March 31, 2019 as per the transitional arrangement provided by the Reserve Bank of India for Basel III implementation. The Basel III rules on capital consist of measures on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing pro-cyclicality and promoting counter-cyclical buffers and addressing systemic risk and inter-connectedness.

At year-end fiscal 2018, ICICI Bank was required to maintain a minimum Common Equity Tier-1 capital ratio of 7.475%, minimum Tier-1 capital ratio of 8.975% and minimum total capital ratio of 10.975%. The minimum total capital requirement includes a capital conservation buffer of 1.875% and capital surcharge of 0.10% on account of the Bank being designated as a Domestic Systemically Important Bank. Under Pillar 1 of the Reserve Bank of India guidelines on Basel III, the Bank follows the standardized approach for measurement of credit risk, the standardized duration method for measurement of market risk and the basic indicator approach for measurement of operational risk.

Unconsolidated capital adequacy position

The following table sets forth, at the dates indicated, regulatory capital, risk-weighted assets and risk-based capital ratios computed in accordance with the Reserve Bank of India's Basel III guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAPs.

	As per the Reserve Bank of India's Basel III guidelines		
	At year-end fiscal		
	2017	2018[1]	2018[1]
	(in millions, except percentages)		
Common equity Tier 1 capital	858,394	915,869	US$ 14,066
Tier 1 capital	897,246	1,010,644	15,522
Tier 2 capital	189,409	159,135	2,444
Total capital	**1,086,655**	**1,169,779**	**US$ 17,966**
Credit risk: risk-weighted assets	5,266,988	5,220,540	US$ 80,180
Market risk: risk-weighted assets	420,249	523,377	8,038
Operational risk: risk-weighted assets	560,780	605,165	9,295
Total risk-weighted assets	**6,248,017**	**6,349,082**	**US$ 97,513**
Common equity Tier 1 risk-based capital ratio	13.7 %	14.4 %	
Tier 1 risk-based capital ratio	14.4 %	15.9 %	
Tier 2 risk-based capital ratio	3.0 %	2.5 %	
Total risk-based capital ratio	17.4 %	18.4 %	

1. The proposed dividend for fiscal 2018 was deducted from capital funds though not deducted from net worth for the purpose of financial reporting at year-end fiscal 2018.

In fiscal 2018, capital funds (net of deductions) increased by Rs. 83.1 billion from Rs. 1,086.7 billion at year-end fiscal 2017 to Rs. 1,169.8 billion at year-end fiscal 2018 primarily due to accretion of retained earnings, repatriation of capital from overseas banking subsidiary, sale of shareholding in subsidiaries and issuance of Additional Tier-1 capital instruments of Rs. 55.6 billion, offset, in part, by a decrease in eligible amount of non-common equity capital due to application of Basel III grandfathering rules.

Risk-weighted assets relating to credit risk decreased by Rs. 46.5 billion from Rs. 5,267.0 billion at year-end fiscal 2017 to Rs. 5,220.5 billion at year-end fiscal 2018 primarily due to decrease of Rs. 116.9 billion in risk-weighted assets for off-balance sheet assets, offset, in part, by an increase of Rs. 70.4 billion in risk-weighted assets for on-balance sheet assets. The off-balance sheet risk-weighted assets decreased from Rs. 903.9 billion at year-end fiscal 2017 to Rs. 787.0 billion at year-end fiscal 2018.

Risk-weighted assets relating to market risk increased by Rs. 103.1 billion from Rs. 420.3 billion at year-end fiscal 2017 to Rs. 523.4 billion at year-end fiscal 2018 primarily due to an increase in the portfolio of equity investments and fixed income securities.

Risk-weighted assets relating to operational risk increased by Rs. 44.4 billion from Rs. 560.8 billion at March 31, 2017 to Rs. 605.2 billion at March 31, 2018. The operational risk capital charge is computed based on 15% of the average of the previous three financial years' gross income and is revised on an annual basis at June 30. Risk-weighted assets are arrived at by multiplying the capital charge by 12.5.

Consolidated capital adequacy position

Consolidation for regulatory capital calculations is based on the consolidated financial statements of ICICI Bank and its subsidiaries, in line with the standards on consolidated prudential reporting issued by the Reserve Bank of India. The entities considered for consolidation for regulatory capital calculations include subsidiaries, associates and joint ventures of the Bank, which carry on activities of a banking or of a financial nature as stated in the reporting guidelines prescribed by the Reserve Bank of India. Entities engaged in the insurance business and businesses not pertaining to financial services are excluded from consolidation for capital adequacy calculation. As per Basel III guidelines stipulated by the Reserve Bank of India, equity and other regulatory capital investments in the unconsolidated insurance and non-financial subsidiaries will be deducted from consolidated regulatory capital of the group.

At year-end fiscal 2018, our total risk-based capital ratios at the consolidated level as per Basel III guidelines stipulated by the Reserve Bank of India were common equity Tier 1 risk-based capital ratio of 14.2%, Tier 1 risk-based capital ratio of 15.6% and total risk-based capital ratio of 17.9% against the current requirement of minimum common equity Tier 1 capital ratio of 7.475%, a minimum Tier 1 capital ratio of 8.975% and a minimum total capital ratio of 10.975% respectively.

Internal assessment of capital

Our capital management framework includes a comprehensive internal capital adequacy assessment process conducted annually which determines the adequate level of capitalization for us to meet regulatory standards and current and future business needs, including under stress scenarios. The internal capital adequacy assessment process is formulated at both the stand alone bank level and the consolidated group level. The process encompasses capital planning for a four-year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the capital assessment process and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the risk profile and capital position. Based on our Board-approved stress testing framework, we conduct stress tests on our various portfolios and assess the impact on our capital ratios and the adequacy of our capital buffers for current and future periods. We periodically assess and refine our stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The business and capital plans and the stress testing results of the ICICI Bank entities are integrated into the internal capital adequacy assessment process.

Based on the internal capital adequacy assessment process, we determine the level of capital that needs to be maintained by considering the following in an integrated manner:

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

We continue to monitor relevant developments and believe that its current robust capital adequacy position and demonstrated track record of access to domestic and overseas markets for capital raising will enable us to maintain the necessary levels of capital as required by regulations while continuing to grow our business.

Liquidity Risk

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

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

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the corporate and project finance and home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempts to maintain adequate liquidity at all times to meet all the requirements of our depositors and bondholders, while also meeting the credit demand of its customers.

We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management. We are required to submit rupee gap reports for domestic operations on a fortnightly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 5.0%, 10.0%, 15.0% and 20.0% of cumulative outflows in the 1-day, up to 7-day, up to 14-day and up to 30-day time categories, respectively. We prepare a daily maturity gap analysis for the overseas operations and rupee book for the domestic operations. Our static gap analysis is also supplemented by

a short-term dynamic cash-flow analysis, in order to provide the liability raising units with a fair estimate of our funding requirements in the near-term. In addition, we monitor certain liquidity ratios on a fortnightly basis. We also monitor liquidity coverage ratio which has been applicable from January 1, 2015. We have a liquidity contingency plan in place, through which we monitor key indicators that could signal potential liquidity challenges, to enable us to take necessary measures to maintain sufficient liquidity.

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations in India are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market, through refinance agencies and through the issuance of bonds. We also have recourse to the liquidity adjustment facility and marginal standing facility which are short-term funding arrangements provided by the Reserve Bank of India. We generally maintain a substantial portfolio of high quality liquid securities that may be sold on an immediate basis to meet our liquidity needs. We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasion have touched highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. Our limit on daily borrowing is more conservative than the limit set by the Reserve Bank of India. ICICI Securities Primary Dealership, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates. However, ICICI Securities Primary Dealership being a primary dealer also has access to liquidity adjustment facility and standing liquidity facility from the Reserve Bank of India.

Our gross liquid assets consist of cash, nostro balances, overnight and other short-term money market placements, government bonds and treasury bills (including investments eligible for reserve requirements and net of borrowings on account of repurchase agreements, the liquidity adjustment facility and the marginal standing facility), corporate bonds (rated AA and above), other money market investments such as commercial paper and certificates of deposits and mutual fund investments. We deduct short-term money-market borrowings (borrowings with maturity up to 30 days) from the aggregate of these assets to determine net liquid assets.

We maintain a significant portion of our demand and time liabilities in forms required pursuant to regulatory reserve requirements imposed by the Reserve Bank of India. The Reserve Bank of India stipulates a cash reserve ratio applicable to Indian banks, which requires us to maintain an average percentage of our demand and time liabilities as a cash balance deposited with the Reserve Bank of India over 14-day period. At year-end fiscal 2018, the cash reserve ratio requirement percentage was 4.00%. In addition, cash reserves may not fall below 90% (with effect from April 16, 2016) of the required cash reserve ratio on any day during any 14-day reporting period.

The Reserve Bank of India also stipulates a statutory liquidity ratio applicable to Indian banks, which requires us to maintain a certain percentage of demand and time liabilities in certain prescribed investments. At year-end fiscal 2018, the statutory liquidity ratio requirement percentage was 19.5%. We generally hold more statutory liquidity ratio eligible securities than the statutory liquidity ratio requirement. Statutory liquidity ratio eligible instruments include

cash, gold or approved unencumbered securities. Additionally, as of June 30, 2018, out of the statutory liquidity ratio requirement of 19.5% of net demand and time liabilities in India, 13% is counted towards the high quality liquid assets under the liquidity coverage ratio (11% in the form of a facility to avail liquidity under liquidity coverage ratio and 2% under a marginal standing facility).

At many of our overseas branches, certain reserves are maintained pursuant to local regulations. We have complied with these local reserve requirements in fiscal 2018, except for one incidence of shortfall of maintenance in minimum reserve balance in South Africa.

The Reserve Bank of India on June 9, 2014 issued final guidelines on the Basel III framework on liquidity standards including liquidity coverage ratio, liquidity risk monitoring tools and liquidity coverage ratio disclosure standards. The liquidity coverage ratio promotes short-term resilience of banks to potential liquidity disruptions by requiring that banks have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days. As per the guidelines, the liquidity coverage ratio requirement was effective January 1, 2015 with a minimum requirement of 60.0% starting from January 1, 2015 (currently the minimum requirement is 90.0%), and will be 100.0% from January 1, 2019. As per the Reserve Bank of India guidelines, effective January 1, 2016, liquidity coverage ratio has been made applicable to Indian banks on a consolidated basis. We have been computing our liquidity coverage ratio since January 2015 as per the Reserve Bank of India guidelines. The liquidity coverage ratio of the Group, based on daily values, for the three months ended March 31, 2018 was 95.9%.

The Reserve Bank of India on May 17, 2018 issued final guidelines on the Basel III framework on liquidity standards – net stable funding ratio. This guideline is designed to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. As per the guidelines, the net stable funding ratio should be equal to at least 100% on an ongoing basis and will be applicable for Indian banks at the solo as well as consolidated level. The Reserve Bank of India will communicate the implementation date of this guideline in due course.

We maintain liquid assets in addition to statutory liquidity ratio and cash reserve ratio requirement. Throughout fiscal 2018, the Bank maintained adequate reserves as per the regulatory requirements mentioned above.

The following table sets forth the components of the ICICI Bank's average and balance sheet date liquid assets.

	At March 31, 2017	Fortnightly average for fiscal 2018	At March 31, 2018
	(in billions)		
Statutory liquidity ratio eligible investments and other government securities, net of borrowings on account of repurchase agreement, liquidity adjustment facility and collateralized borrowings	Rs. I,129.4	Rs. I,265.5	Rs. I,255.0
Balance with central banks and current accounts with other banks	331.7	296.2	420.4
Other liquid assets	559.0	350.7	686.8
Gross liquid assets	2,020.1	1,912.4	2,362.2
(Less) Short-term borrowings	0.5	1.5	—
Net liquid assets	**Rs. J,019.6**	**Rs. I,910.9**	**Rs. J,362.2**

ICICI Bank held net liquid assets totaling to Rs. 2,362.2 billion at year-end fiscal 2018, compared to Rs. 2,019.6 billion at year-end fiscal 2017. In fiscal 2018, the Bank held fortnightly average net liquid assets of Rs. 1,910.9 billion. In addition to the amounts included in net liquid assets above, at year-end fiscal 2018, the Bank also held other fixed income non-government securities totaling to Rs. 29.8 billion compared to Rs. 42.4 billion at year-end fiscal 2017.

In compliance with local regulations, some overseas branches of the Bank are required to maintain a 'net due to' position with other group entities i.e. they can only be a net borrower up to a specified amount. Accordingly, only the liquidity maintained in excess of such 'net due to' requirements can be utilized at other group entities. At year-end fiscal 2018, such overseas branches of the Bank held net liquid assets of Rs. 162.1 billion (equivalent), which are included in our overall net liquid assets of the Bank of Rs. 2,362.2 billion.

We also have access to other reliable sources of liquidity. The Reserve Bank of India conducts repurchase and reverse repurchase transactions with banks through its liquidity adjustment facility and marginal standing facility to carry out monetary policy and manage liquidity for the Indian banking system. The Reserve Bank of India stipulates an interest rate applicable to fixed rate repurchase, fixed rate reverse repurchase agreements and marginal standing facility, known as the repo rate, reverse repo rate and marginal standing facility rate respectively. In addition, Reserve Bank of India also conducts variable rate repurchase, reverse repurchase auction, rates for which are arrived through competitive bidding. At year-end fiscal 2018, the Reserve Bank of India repo rate, reverse repo rate and marginal standing facility rate were 6.00%, 5.75% and 6.25% respectively. The liquidity adjustment facility and marginal standing facility are available throughout the year. Under the marginal standing facility, in addition to the eligible securities a bank holds in excess of the statutory requirement, banks can borrow overnight up to 2.0% of their respective net demand and time liabilities outstanding at the end of the second preceding 14-day period. Further, there is a liquid market for repurchase transactions with other market counterparties. Banks may enter into repurchase transactions with the Reserve Bank of India or other market counterparties against the statutory liquidity ratio eligible securities that hold in excess of the statutory requirement.

At year-end fiscal 2018, ICICI Bank had government securities amounting to Rs. 368.2 billion eligible for borrowings through the liquidity adjustment facility and marginal standing facility from the Reserve Bank of India.

The Reserve Bank of India uses the liquidity adjustment facility and the marginal standing facility to implement monetary policy. The Reserve Bank of India has the right to suspend the liquidity adjustment facility or reduce the amounts that Indian banks can access through the liquidity adjustment facility on any day on a proportionate basis for all banks. Such policy changes could affect the operations of these facilities and could restrict Indian banks, including us, from accessing these facilities. The Reserve Bank of India has restricted liquidity provision through the overnight liquidity adjustment facility to a specified ratio of net demand and time liabilities and increasingly provides liquidity through term repurchase agreements of various maturities. At year-end fiscal 2018, the liquidity provision through the overnight liquidity adjustment facility was capped at 0.25% of net demand and time liabilities of banks.

We have a well-defined borrowing program for the overseas operations. In order to maximize borrowings at a reasonable cost through our branches, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings and inter-bank bilateral loans. We also raise refinance from other banks against eligible trade assets. Those loans that meet the Export Credit Agencies' criteria are refinanced as per the agreements entered into with these agencies. We also mobilize deposit liabilities, in accordance with the regulatory framework at the host country.

ICICI Bank has the ability to use its rupee liquidity in India to meet refinancing needs at its overseas branches, although this may be at a relatively high cost based on swap and exchange rates prevailing at the time of such refinancing. The Bank raised the equivalent of US$ 500 million through issuances of US$ denominated bonds in December 2017 (original maturity of 10 years). The terms of the Bank's bond issuances and loans from other financial institutions and export credit agencies contain cross-default clauses, restrictions on its ability to merge or amalgamate with another entity and restrictions on the Bank's ability to prematurely redeem or repay such bonds or loans. The terms of the Bank's subordinated debt issuances eligible for inclusion in Tier 1 or Tier 2 capital include the suspension of interest payments in the event of losses or capital deficiencies, and a prohibition on redemption, even at maturity or on specified call option dates, without the prior approval of the Reserve Bank of India. The Bank is currently not, and does not expect to be, in breach of any material covenants of the Bank's borrowings that would be construed as events of default under the terms of such borrowings.

The successful management of credit, market and operational risk is an important consideration in managing the liquidity because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time.

Rating agencies can also decide to withdraw their ratings of the Bank, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions (particularly longer-term transactions) and derivatives transactions, or retain our customers. See also "*Risk Factors—Risks Relating to India and Other Economic and Market Risks—Any downgrade of India's debt rating by an international rating agency could adversely affect our business, our liquidity and the prices of our equity shares and ADSs*".

In respect of our domestic operations, we may enter into collateralized borrowings in the form of repurchase transactions with the Reserve Bank of India or through Clearing Corporation of India Limited, a centralized clearing counterparty or with the market counterparties, against the statutory liquidity ratio eligible securities to meet expected and unexpected borrowings requirements. In general, the market value of collateral given for any such loan is higher than the value of the loan, the difference is referred to as a haircut. The Reserve Bank of India has stipulated the haircut for all such securities for borrowings from them. In case of borrowings through products settled through Clearing Corporation of India Limited, the value of the collateral under repo/collateralized borrowing and lending obligations is computed after applying a haircut as stipulated by the Clearing Corporation of India Limited. Further, members of Clearing Corporation of India Limited's collateralized borrowing and lending obligations segment are also required to maintain margin contributions in relation to their borrowing/lending obligation at any point of time which act as cushion against any fall in the value of the underlying collateral. We hold sufficient securities in our account to meet additional collateral requirements if required and systems and processes are in place to maintain sufficient balance in our Principal-Securities General Ledger account, Repo Constituent - Securities General Ledger account, Clearing Corporation of India Limited Securities Guarantee Fund/collateralized lending and borrowing obligations margin account resulting in smooth settlement of transactions.

Further, in case of any emergency requirement, additional securities may be transferred to our Securities Guarantee Fund/collateralized borrowing and lending obligations margin account on a T+0 basis. In case of corporate bond repo, the value of the securities is computed after applying the minimum haircut as stipulated by

the clearing house or bilaterally agreed upon by counterparties depending upon the credit rating of the underlying security. The Bank also deals with central counterparties for settlement of government securities outright and repo transactions, forex transactions, interest rate and currency derivatives for which it needs to contribute towards margin obligations. We will be required to post additional collateral in case of downgrade in the external credit rating of the Bank under letter of credit, stand by letter of credit, bank guarantee and unfunded risk participation agreements.

In respect of overseas branch operations, generally, the collateral requirements are applicable to banks which have outstanding borrowings that are subject to margin-reset and consequent collateral deposits are governed by global master repurchase agreement. We have an Asset Liability Management Committee approved framework for accepting covenants, linked to credit rating downgrade of the Bank and a breach in thresholds of certain financial covenants as a part of borrowing agreements and a stress scenario has been formulated linked to potential outflows due to a breach of rating downgrade covenants.

In view of the margin rules for non-centrally cleared derivative transactions issued by the Basel Committee on Banking Supervision and Reserve Bank of India, currently in a draft stage, derivative transactions would be subject to margin-reset and consequent collateral exchange would be as governed by Credit Support Annex. The margin rules are applicable for both, the domestic and overseas operations of the Bank. The Bank has entered into Credit Support Annex which would require maintenance of collateral.

We have certain borrowings that would be affected by a credit rating downgrade of the Bank. Such borrowings amount to around 1% of the total borrowings of the Bank at year-end fiscal 2018. If an international credit rating agency downgrades the Bank’s credit rating by one or more notches, we would be required to pay an increased interest rate on these borrowings. The liquidity impact is monitored on a fortnightly basis and is reported to relevant committees on a semi-annual basis. Volatility in the international debt markets may constrain our international borrowings.

There are restrictions on the use of liquidity maintained by UK and Canada subsidiaries of the Bank to meet their overall liquidity needs. The Office of the Superintendent of Financial Institutions of Canada has prescribed a limit of 100% of Tier 1 and Tier 2 capital (as defined under Canadian regulations) on the credit exposure to any single entity or a group of connected entities. ICICI Bank Canada, Bank’s Canadian subsidiary, has internally capped this credit exposure at CAD 150.0 million (approximately 28% of the limit specified by the Office of the Superintendent of Financial Institutions, except with respect to exposure to the ICICI Bank. In fiscal 2018, ICICI Bank Canada has complied with both regulatory and their internal limits on exposures to any single entity, including to ICICI Bank.

As per the extant regulatory guidelines in the United Kingdom, ICICI Bank UK is subject to a limit of 25% of the capital base on the exposure to an individual counterparty (or a group of related counterparties). The capital base is calculated as the sum of eligible Tier 1 and Tier 2 capital, less any deductions as per the Basel III guidelines. ICICI

Bank UK has a capital base of US$ 578.6 million at year-end fiscal 2018, resulting in a limit of US$ 144.7 million. Also, ICICI Bank UK stipulates various internal limits to manage exposure concentrations within the Bank. The key parameters of risk concentrations measured include sectoral, country, rating category based, product specific exposures, counterparty and large exposures.

The Prudential Regulation Authority issued a new policy statement on Capital Requirements Directive IV: Liquidity Requirements in June 2015, which was supplemented by supervisory statement on Prudential Regulation Authorities approach to supervising liquidity and funding risk. The new guidelines were applicable from October 1, 2015. As per the guidelines banks were required to maintain Liquidity Coverage Ratio calculated, as per the methodology provided in the Delegated Act issued by European Banking Authority in October 2014, at 80% starting October 1, 2015 as a Pillar 1 liquidity requirement. The Liquidity Coverage Ratio requirement increased to 100% from January 1, 2018 onwards, from the requirement of 90% applicable during the period from January 1, 2017 to December 31, 2017. Thereafter, Prudential Regulation Authority has adopted a Pillar 2 approach for Liquidity requirements, in which banks are required to hold high quality liquid assets for specified risks, which are not captured in Liquidity Coverage Ratio. ICICI Bank UK PLC maintained Liquidity Coverage Ratio above the stipulated level during fiscal 2018 and complied with Pillar 2 liquidity requirements specified by Prudential Regulation Authority.

In November 2014, The Office of Superintendent of Financial Institution revised the Liquidity Adequacy Requirements to incorporate Liquidity Coverage Ratio requirements for banks in Canada. The requirements expect banks to have an adequate stock of unencumbered high quality liquid assets that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30

calendar day liquidity stress scenario. The standard requires that, absent a situation of financial stress, the value of the coverage ratio of high quality liquid assets to total net cash outflows be no lower than 100%. The Office of Superintendent of Financial Institution expects each Canadian bank to have an internal liquidity policy articulating and defining the role of liquid assets within the bank's overall liquidity management system and establishing minimum targets for liquid asset holdings. ICICI Bank Canada has a Liquidity Management Policy and Market Risk Management Policy, which are approved by its Board of Directors. These policies require ICICI Bank Canada to maintain a certain percentage of its customer liabilities in liquid assets and to maintain sufficient liquidity to cover net outflows in the "up to 30 days" maturity bucket. These limits are monitored by Asset Liability Management Committee of ICICI Bank Canada, at least on monthly basis. ICICI Bank Canada has complied with these requirements throughout fiscal 2018. In addition, net cumulative cash flow information, which consists of details of the maturity pattern of assets and liabilities and net cash flows, is shared with the Office of Superintendent of Financial Institution on a monthly basis.

Capital Expenditure

The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets.

	Fiscal 2016 Cost at year-end fiscal 2015 (in millions)	Additions/ transfers/revaluations	Deletions/ transfers	Depreciation	Net assets at year-end fiscal 2016	
Premises	Rs. 51,765	Rs. 29,610[1]	Rs. (724)	Rs. (13,359)	Rs. 67,292	US$ 1,034
Other fixed assets (including furniture and fixtures)	55,272	7,510	(3,215)	(42,139)	17,428	268
Assets given on lease	17,299	—	—	(14,885)	2,414	37
Total	**Rs. I24,336**	**Rs. 37,120**	**Rs. (3,939)**	**Rs. (70,383)**	**Rs. 87,134**	**US$ I,338**

(1) Includes gain on revaluation created through reserve of Rs. 28.2 billion.

	Fiscal 2017 Cost at year-end fiscal 2016 (in millions)	Additions/transfers/ revaluation	Deletions/ transfers		Net assets at year-end fiscal 2017	
Premises	Rs. 80,650	Rs. 8,050[1]	Rs. (607)	Rs. (14,750)	Rs. 73,344	US$ 1,126

Other fixed assets (including furniture and fixtures)	59,567	7,487	(3,215)	(46,218)	17,621	271
Assets given on lease	17,300	—	(395)	(14,490)	2,415	37
Total	**Rs.I57,517**	**Rs. I5,537**	**Rs. (4,217)**	**Rs.(75,458)**	**Rs. 93,380**	**US$I,434**

(1) Includes gain on revaluation created through reserve of Rs. 3.0 billion.

	Fiscal 2018 Cost at year-end fiscal 2017 (in millions)	Additions/transfers/ revaluation	Deletions/ transfers		Net assets at year-end fiscal 2018	
Premises	Rs. 88,093	Rs. 3,498[(1)]	Rs. (2,046)	Rs.(16,524)	Rs.73,023	US$$I,122
Other fixed assets (including furniture and fixtures)	63,839	8,946	(1,771)	(51,801)	19,212	295

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	Fiscal 2018 Cost at year-end fiscal 2017 (in millions)	Additions/transfers/ revaluation	Deletions/ transfers		Net assets at year-end fiscal 2018	
Assets given on lease	16,905	—	(190)	(14,300)	2,415	37
Total	**Rs.I68,837**	**Rs. I2,444**	**Rs. (4,007)**	**Rs.(82,625)**	**Rs. 94,650**	**US$I,454**

(1) Includes gain on revaluation created through reserve of Rs. 0.3 billion.

Collateral Management

Overview

We define collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of a secured creditor in respect of the assets/contracts offered as security for the obligations of the borrower/obligor. The underlying documentation for the collateral is designed to provide the Bank with appropriate rights over the collateral or other forms of credit enhancement including the right to liquidate, retain or take legal possession of it in a timely manner in the event of default by the counterparty. We also endeavor to keep the assets provided as security to the Bank under adequate insurance during the tenor of the Bank's exposure. The Bank monitors the collateral value periodically.

Collateral valuation

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

Types of collateral taken by the Bank

We determine the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In the case of corporate and small and medium enterprises financing, fixed assets are generally taken as

security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empaneled valuer at the time of sanctioning the loan/limit set-up.

The Bank also offers products which are primarily based on collateral, such as shares, specified securities, warehoused commodities and gold jewelry. These products are offered in line with the approved product policies which include types of collateral, valuation and margining.

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans and to higher rated corporate borrowers. The limits with respect to unsecured facilities have been approved by our Board of Directors.

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

Significant Changes

Except as otherwise stated in this annual report, we have experienced no significant changes since the date of fiscal 2018 consolidated financial statements contained in this annual report.

Segment Revenues and Assets

The Reserve Bank of India in its guidelines on "segmental reporting" has stipulated specified business segments and their definitions, for the purposes of public disclosures on business information for banks in India.

The consolidated segmental report for fiscal 2018, based on the segments identified and defined by the Reserve Bank of India, has been presented as follows:

- **Retail Banking** includes our exposures which satisfy the four qualifying criteria of "regulatory retail portfolio" as stipulated by the Reserve Bank of India's Basel III guidelines. These criteria are as follows:

(i) Orientation criterion: Exposure to an individual person or persons (not to be restricted to an individual, Hindu Undivided Family, trust, partnership firm, private limited companies, public limited companies, co-operative societies, etc.) or to a small business are classified as retail. A small business is defined as one where the three-year average annual turnover is less than Rs. 500 million.

(ii) Product criterion: All exposure should take the form of any of the following:

- revolving credits and lines of credit (including overdrafts);
- term loans and leases (e.g. installment loans and leases, student and educational loans); and
- small business facilities and commitments.

(iii) Low value of individual exposures: The maximum aggregate retail exposure to one counterparty should not exceed the absolute threshold limit of Rs. 50 million.

(iv) Granularity criterion: The regulatory retail portfolio should be sufficiently diversified to a degree that reduces the risks in the portfolio. The aggregate exposure to one counterparty should not exceed 0.2% of the overall retail portfolio.

- **Wholesale Banking** includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included in the Retail Banking segment, as per the Reserve Bank of India guidelines for the Bank.

- **Treasury** includes the entire investment and derivative portfolio of the Bank, ICICI Strategic Investments Fund and ICICI Equity Fund (up to September 30, 2015).

- **Other Banking** includes leasing operations and other items not attributable to any particular business segment of the Bank. It also includes the Bank's banking subsidiaries, i.e., ICICI Bank UK PLC and ICICI Bank Canada.

- **Life Insurance** represents results of ICICI Prudential Life Insurance Company Limited.

- **General Insurance** represents results of ICICI Lombard General Insurance Company Limited.

- **Others** include ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Securities Primary Dealership Limited, ICICI Securities Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, ICICI Prudential Pension Funds Management Company Limited, and I-Ven Biotech Limited (up to December 31, 2015).

Framework for transfer pricing

Liabilities of retail banking and wholesale banking segments are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements and specific charge on account of directed lending to certain sectors categorized as priority sector. Current account and savings account deposits are transfer priced at a fixed rate. For term deposits and borrowings, the transfer pricing is primarily based on

the categories specified in the Transfer Pricing Policy. Transfer pricing to our asset creation units is based on the incremental cost of deposits (blended for current account and savings account deposits) and borrowings adjusted for the maturity of the asset (term premium) and regulatory reserve requirements. The allocated capital is also considered as a source of funding for this purpose.

Fiscal 2018 Compared with Fiscal 2017

The following table sets forth, for the periods indicated, profit before tax of various segments.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Retail Banking	Rs. 53,853	Rs. 71,414	US$1,097	32.6 %
Wholesale Banking	(74,341)	(82,813)	(1,272)	11.4
Treasury	120,814	77,443	1,189	(35.9)
Other Banking	3,022	5,705	88	88.8
Life Insurance	17,849	17,191	264	(3.7)
General Insurance	9,101	11,962	184	31.4
Others	21,764	21,041	323	(3.3)
Profit before tax	**Rs.152,062**	**Rs.121,943**	**US$1,873**	**(19.8 %)**

Retail Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Net interest income	Rs. 113,270	Rs. 134,488	US$ 2,066	18.7 %
Non-interest income	57,535	65,720	1,009	14.2
Total income	170,805	200,208	3,075	17.2
Non-interest expenses	112,260	121,340	1,864	8.1
Profit before provisions	58,545	78,868	1,211	34.7
Provisions	4,692	7,454	114	58.9

Profit before tax	**Rs.M3,853**	**Rs.O1,414**	**US$1,097**	**32.6 %**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Advances	Rs.I,999,885	Rs.J,433,639	US$ 37,377	21.7 %
Deposits	3,518,338	3,988,658	61,260	13.4

The Bank has been pursuing a conscious strategy of maintaining a robust funding profile by increasing the share of low cost current account and savings account deposits in total funding and is focusing on growing the retail portfolio. Growth in advances in the retail segment was primarily due to an increase in home loans, personal loans, rural loans, business banking and automobile loans.

Loans in the retail banking segment increased by 21.7% from Rs. 1,999.9 billion at year-end fiscal 2017 to Rs. 2,433.6 billion at year-end fiscal 2018. The Bank maintained its focus on strengthening its deposit franchise reflected in the increase in the retail deposit base. The savings account deposits of the segment increased by 17.0% from Rs. 1,718.4 billion at year-end fiscal 2017 to Rs. 2,009.7 billion at year-end fiscal 2018. The current account deposits of the segment increased by 14.5% from Rs. 332.8 billion at year-end fiscal 2017 to Rs. 381.2

billion at year-end fiscal 2018. The term deposits of the segment increased by 8.9% from Rs. 1,467.2 billion at year-end fiscal 2017 to Rs.1,597.8 billion at year-end fiscal 2018. The overall retail deposits increased by 13.4% from Rs. 3,518.3 billion at year-end fiscal 2017 to Rs. 3,988.7 billion at year-end fiscal 2018.

The profit before tax of the retail banking segment increased by 32.6% from Rs. 53.9 billion in fiscal 2017 to Rs. 71.4 billion in fiscal 2018, primarily due to an increase in net interest income and non-interest income.

Net interest income increased by 18.7% from Rs. 113.3 billion in fiscal 2017 to Rs. 134.5 billion in fiscal 2018, primarily due to an increase in the average loan portfolio and an increase in average current account and savings account deposits.

Non-interest income increased by 14.2% from Rs. 57.5 billion in fiscal 2017 to Rs. 65.7 billion in fiscal 2018, primarily due to an increase in fees income from credit card portfolio, transaction banking fees, third party product distribution fees and lending linked fees.

Non-interest expenses increased by 8.1% from Rs. 112.3 billion in fiscal 2017 to Rs 121.3 billion in fiscal 2018, primarily due to an increase in employee cost and other administrative expenses reflecting an increase in business volume.

Provisions increased by 58.9% from Rs. 4.7 billion in fiscal 2017 to Rs. 7.5 billion in fiscal 2018. The increase in provisions were primarily due to higher growth in the retail portfolio, particularly auto loans, home loans and unsecured products including personal loans and credit cards. Further, in fiscal 2017, there was higher recovery/write back of provisions as compared to fiscal 2018. See also "*Business – Risk management – Credit risk – Assessment of Retail Loans" and "Business – Classification of loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*".

The retail segment will remain the key driver of our growth, with segments like business banking, credit cards and personal loans growing at a higher pace off a lower base, while home loans will continue to be the largest part of the portfolio.

Wholesale Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Net interest income	Rs. 65,712	Rs. N0,971	US$ 936	(7.2 %)
Non-interest income	35,304	35,907	552	1.7
Total income	101,016	96,878	1,488	(4.1)
Non-interest expenses	32,414	33,013	507	1.8
Profit before provisions	68,602	63,865	981	(6.9)
Provisions	142,943	146,678	2,253	2.6
Profit before tax	**Rs. (74,341)**	**Rs. (82,813)**	**US$ (1,272)**	**11.4 %**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2017	2018	2018	2018/2018 % change
	(in millions, except percentages)			
Advances	Rs. 2,565,395	Rs. J,609,463	US$ 40,078	1.7 %
Deposits	1,358,117	1,590,326	24,425	17.1 %

Under the wholesale banking segment, we adopted a two-pronged strategy of improving both portfolio quality and earnings quality. In fiscal 2018, in line with the Bank's strategy of enhancing the quality of its portfolio, the wholesale banking segment focused its incremental lending efforts on higher rated, well-established corporations. In addition, the Bank has strengthened its framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the

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borrowers. The exposure limits for lower rated borrowers and groups are substantially lower than the regulatory limits. Our approach to resolution and recovery in the existing portfolio involves working with sponsors for deleveraging through sale of assets and businesses, working with all stakeholders to improve the operations and cash flow generation of borrowers and the enforcement of contractual rights and in addition referring the cases for resolution with the National Company Law Tribunal under the Insolvency and Bankruptcy Code.

The loan portfolio of the wholesale banking segment increased by 1.7% from Rs. 2,565.4 billion at year-end fiscal 2017 to Rs. 2,609.5 billion at year-end fiscal 2018. The current account deposits increased by 21.9% from Rs. 417.1 billion at year-end fiscal 2017 to Rs. 508.4 billion at year-end fiscal 2018 and the term deposits in the segment increased by 15.0% from Rs. 941.1 billion at year-end fiscal 2017 to Rs. 1,081.9 billion at year-end fiscal 2018.

The loss before tax of the wholesale banking segment increased from Rs. 74.3 billion in fiscal 2017 to Rs. 82.8 billion in fiscal 2018, primarily due to a decrease in net interest income.

Net interest income decreased by 7.2% from Rs. 65.7 billion in fiscal 2017 to Rs. 61.0 billion in fiscal 2018, primarily due to non-accrual of interest income on loans classified as non-performing. There were higher additions to non-performing assets during fiscal 2017 and fiscal 2018. The Bank accounts for interest income on a cash basis on non-performing assets.

Non-interest income increased marginally by 1.7% from Rs. 35.3 billion in fiscal 2017 to Rs. 35.9 billion in fiscal 2018 primarily due to an increase in income from forex and derivative products, offset, in part, by a decrease in lending linked fees.

The additions to non-performing assets during fiscal 2018 included the impact of revised framework for resolution of stressed assets issued by the Reserve Bank of India in February 2018, which superseded the earlier guidelines on strategic debt restructuring, change in ownership outside strategic debt restructuring (except projects under implementation) and the scheme for sustainable structuring of stressed assets with immediate effect. Under the revised framework, the stand-still benefits in asset classification of borrowers where any of these schemes had been invoked but not yet implemented were withdrawn. Hence, the Bank classified loans where any of these schemes had been invoked but not implemented as non-performing at year-end fiscal 2018.

Provisions during fiscal 2018 remained elevated at Rs. 146.7 billion in fiscal 2018 as compared to Rs. 142.9 billion in fiscal 2017, primarily due to higher additions to non-performing asset, higher provision on certain cases referred to National Company Law Tribunal under the provisions of Insolvency and Bankruptcy Code, 2016 and further provisions on loans classified as non-performing assets in earlier years. See Also "*Operating and Financial Review and*

Prospects—Provisions and contingencies (excluding tax provisions)”.

Treasury

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Net interest income	Rs. 31,615	Rs. 30,506	US$ 469	(3.5)%
Non-interest income	98,701	67,994	1,044	(31.1)
Total income	130,316	98,500	1,513	(24.4)
Non-interest expenses	2,177	2,196	34	0.9
Profit before provisions	128,139	96,304	1,479	(24.8)
Provisions	7,325	18,860	290	157.5
Profit before tax	**Rs. 120,814**	**Rs. 77,444**	**US$ 1,189**	**35.9 %**

The following table sets forth, for the periods indicated, the closing balances of key assets and liabilities.

	Closing balance at March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Investments	Rs. 1,615,348	Rs. 2,030,755	US$ 31,190	25.7 %
Borrowings	1,475,562	1,828,586	28,085	(23.9 %)

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services, such as forward contracts, swaps and options.

The profit before tax of the treasury segment decreased by 35.9% from Rs. 120.8 billion in fiscal 2017 to Rs. 77.4 billion in fiscal 2018 primarily due to a decrease in realized gain on government securities on account of an increase in yield of government securities and an increase in provisions.

Net interest income decreased by 3.5% from Rs. 31.6 billion in fiscal 2017 to Rs. 30.5 billion in fiscal 2018.

Non-interest income decreased by 31.1% from Rs. 98.7 billion in fiscal 2017 to Rs. 68.0 billion in fiscal 2018 primarily due to a decrease in realized gain on government securities and decrease in dividend from subsidiaries during fiscal 2018.

Non-interest income of fiscal 2018 included gain on sale of equity shares of ICICI Lombard General Insurance Company Limited of Rs. 20.1 billion and ICICI Securities Limited of Rs. 33.2 billion through initial public offer. Non-interest income of fiscal 2017 included gain on sale of equity shares of ICICI Prudential Life Insurance Company Limited of Rs. 56.8 billion through initial public offer.

Provisions increased from Rs. 7.3 billion in fiscal 2017 to Rs. 18.9 billion in fiscal 2018 primarily due to higher provisions on equity shares, preference shares, bonds and debentures acquired on loan conversion cases under strategic debt restructuring and scheme for sustainable structuring of stressed assets.

Other Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Net interest income	Rs. 15,184	Rs. 12,682	US$ 195	(16.5 %)
Non-interest income	3,095	2,611	40	(15.6)
Total income	18,279	15,293	235	(16.3)
Non-interest expenses	4,703	4,621	71	(1.7)
Profit before provisions	13,576	10,672	164	(21.4)
Provisions	10,554	4,967	76	(52.9)
Profit before tax	**Rs.3,022**	**Rs.5,705**	**US$88**	**88.8**

The following table sets forth, for the periods indicated, the outstanding balances of the key assets and liabilities.

	Outstanding balance on March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Advances	Rs. 502,938	Rs. 527,050	US$ 8,095	4.8 %
Investments	76,940	74,433	1,143	(3.3)
Deposits	255,054	285,536	4,385	12.0
Borrowings	Rs. 232,139	Rs. 247,984	US$ 3,809	6.8 %

Other banking business includes our leasing operations, our overseas banking subsidiaries and other items not attributable to any particular business segment of the Bank.

The profit before tax of our other banking segment increased from Rs. 3.0 billion in fiscal 2017 to Rs. 5.7 billion in fiscal 2018, primarily due to a decrease in provisions, offset, in part, by a decrease in net interest income.

Net interest income decreased by 16.5% from Rs. 15.2 billion in fiscal 2017 to Rs. 12.7 billion in fiscal 2018, primarily due to a decrease in interest received on income tax refunds from Rs. 4.5 billion in fiscal 2017 to Rs. 2.8 billion in fiscal 2018. Net interest income of ICICI Bank UK decreased from Rs. 4.5 billion in fiscal 2017 to Rs. 4.4 billion in fiscal 2018. Net interest income of ICICI Bank Canada increased from Rs. 3.9 billion in fiscal 2017 to Rs. 4.0 billion in fiscal 2018.

Non-interest income decreased by 16.1% from Rs. 3.1 billion in fiscal 2017 to Rs. 2.6 billion in fiscal 2018, primarily due to a decrease in non-interest income of ICICI Bank Canada. Non-interest income of ICICI Bank Canada decreased from Rs. 1.2 billion in fiscal 2017 to Rs. 0.8 billion in fiscal 2018. Non-interest income of ICICI Bank Canada was higher in fiscal 2017 due to capital gain on call-back of corporate bonds. Non-interest income of ICICI Bank UK decreased from Rs. 1.1 billion in fiscal 2017 to Rs. 1.0 billion in fiscal 2018.

Non-interest expenses decreased marginally from Rs. 4.7 billion in fiscal 2017 to Rs. 4.6 billion in fiscal 2018. Non-interest expenses of ICICI Bank UK decreased from Rs. 2.3 billion in fiscal 2017 to Rs. 2.2 billion in fiscal 2018. Non-interest expenses of ICICI Bank Canada increased from Rs. 1.7 billion in fiscal 2017 to Rs. 1.9 billion in fiscal 2018.

Provisions decreased by 52.9% from Rs. 10.6 billion in fiscal 2017 to Rs. 5.0 billion in fiscal 2018 primarily due to lower provisions made by ICICI Bank Canada. Provisions of our Canadian subsidiary decreased from a provision of Rs. 5.7 billion in fiscal 2017 to a write-back of Rs. 0.2 billion in fiscal 2018 primarily due to a decrease in specific provisions on impaired loans. Net non-performing assets of ICICI Bank Canada decreased from Rs. 0.5 billion at year-end fiscal 2017 to Nil at year-end fiscal 2018. Provisions of our subsidiary in UK increased from Rs. 4.6 billion in fiscal 2017 to Rs. 5.1 billion in fiscal 2018 primarily due to an increase in specific provision on impaired loans. Net non-performing assets of ICICI Bank UK decreased from Rs. 14.6 billion at year-end fiscal 2017 to Rs. 12.6 billion at year-end fiscal 2018.

Advances increased by 4.8% from Rs. 502.9 billion at year-end fiscal 2017 to Rs. 527.1 billion at year-end fiscal 2018, primarily due to an increase in advances of ICICI Bank Canada. Advances of ICICI Bank Canada increased from Rs. 272.0 billion at year-end fiscal 2017 to Rs. 290.7 billion at year-end fiscal 2018 primarily due to fresh disbursements of corporate loans and mortgage originations during fiscal 2018. Advances of the Bank, other than retail and wholesale, increased from Rs. 77.0 billion at year-end fiscal 2017 to Rs. 80.9 billion at year-end fiscal 2018. Advances of ICICI Bank UK increased marginally from Rs. 153.9 billion at year-end fiscal 2017 to Rs. 155.5 billion at year-end fiscal 2018.

Investments decreased by 3.3% from Rs. 76.9 billion at year-end fiscal 2017 to Rs. 74.4 billion at year-end fiscal 2018, primarily due to a decrease in investments of ICICI Bank Canada, offset, in part, by an increase in investments of ICICI Bank UK. The investment portfolio of ICICI Bank Canada decreased from Rs. 32.6 billion at year-end fiscal 2017 to Rs. 22.0 billion at year-end fiscal 2018 primarily due to maturity/closure of treasury bills and bankers' acceptances. The investment portfolio of ICICI Bank UK increased from Rs. 44.3 billion at year-end fiscal 2017 to Rs. 52.5 billion at year-end fiscal 2018 primarily due to an increase in investments in government securities.

Deposits increased by 12.0% from Rs. 255.1 billion at year-end fiscal 2017 to Rs. 285.5 billion at year-end fiscal 2018 primarily due to an increase in deposits of ICICI Bank Canada and ICICI Bank UK. Deposits of ICICI Bank Canada increased from Rs. 124.2 billion at year-end fiscal 2017 to Rs. 142.8 billion at year-end fiscal 2018, primarily due to an increase in current account deposits and term deposits, offset, in part, by a decrease in savings account deposits. Deposits of ICICI Bank UK increased from Rs. 106.9 billion at year-end fiscal 2017 to Rs. 114.0 billion at year-end fiscal 2018, primarily due to an increase in current and savings deposits, offset, in part, by a decrease in term deposits. Deposits of the Bank other than retail and wholesale, increased from Rs. 23.9 billion at year-end fiscal 2017 to Rs. 28.8 billion at year-end fiscal 2018.

Borrowings increased by 6.8% from Rs. 232.1 billion at year-end fiscal 2017 to Rs. 248.0 billion at year-end fiscal 2018 primarily due to an increase in the borrowings of ICICI Bank UK. Borrowings of ICICI Bank UK increased from Rs. 81.2 billion at year-end fiscal 2017 to Rs. 102.8 billion at year-end fiscal 2018 primarily due to an increase in inter-bank, long-term borrowings and borrowings from central bank under Term Funding Scheme. Borrowings of ICICI Bank Canada decreased from Rs. 150.9 billion at year-end fiscal 2017 to Rs. 145.2 billion at year-end fiscal 2018 primarily due to net repayment of securitized borrowings.

With regard to our overseas banking subsidiaries, global developments, including the differences between major economies on trade issues that is leading to protectionist measures in some countries, the withdrawal of United Kingdom from the European Union and uncertainties in the financial markets as global liquidity conditions tighten and interest rates expected to rise, these factors could impact growth in the United Kingdom and Canada, which in turn could impact the business of our banking subsidiaries in these countries.

Life Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Premium earned	Rs. 223,540	Rs. 270,688	US$ 4,157	21.1 %
Premium on re-insurance ceded	(1,988)	(2,581)	(40)	29.8
Net premium earned	221,552	268,107	4,117	21.0
Other income	22,305	24,601	378	10.3
Investment income	26,605	32,481	499	22.1
Total income	270,462	325,189	4,994	20.2
Commission paid	7,589	14,033	216	84.9
Claims/benefits paid	11,118	15,119	232	36.0
Operating expenses	24,728	21,801	335	(11.8)
Total expenses	43,435	50,953	783	17.3
Transfer to linked funds	160,605	196,062	3,011	22.1
Provisions for policy holder liabilities (non-linked)	48,573	60,978	937	25.5
Profit before tax	**Rs. 17,849**	**Rs. 17,196**	**US$ 263**	**(3.7)%**

The following table sets forth, for the periods indicated, the outstanding balance of key assets and liabilities.

	Outstanding balance on March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Investments	Rs. 325,351	Rs. 395,470	US$ 6,074	21.6 %
Assets held to cover linked liabilities	878,784	975,020	14,975	11.0
Liabilities on life policies	Rs. 1,154,974	Rs. 1,314,884	US$U 20,195	13.8 %

The life insurance industry in India registered a growth of 19.2% in retail weighted new business premium in fiscal 2018, according to the Life Insurance Council with ICICI Prudential Life Insurance Company registering a growth of 16.4%. ICICI Prudential Life Insurance Company achieved a market share of 20.9% in private sector on a retail weighted new business premium basis in fiscal 2018 compared to 22.3% in fiscal 2017. Overall market share was 11.8% in fiscal 2018 on a retail weighted new business premium basis compared to 12.0% in fiscal 2017. Assets under management increased by 13.5% from Rs. 1,229.2 billion at year-end fiscal 2017 to Rs. 1,395.3 billion at year-end fiscal 2018.

Every insurer in India is required to maintain an excess of the value of assets over the amount of liabilities of not less than an amount prescribed by the Insurance and Regulatory Development Authority of India, which is referred to as a Required Solvency Margin. The actual excess of assets over liabilities maintained by the insurer is termed as Available Solvency Margin. The ratio of Available Solvency Margin to the Required Solvency Margin is referred to as solvency margin. ICICI Prudential Life Insurance Company's solvency margin was 252.0% at year-end 2018 compared to the stipulated requirement of 150%.

The profit before tax of ICICI Prudential Life Insurance Company decreased from Rs. 17.8 billion in fiscal 2017 to Rs. 17.2 billion in fiscal 2018 primarily due to an increase in transfer to linked funds and provision for policy holder liability, offset, in part, by an increase in net earned premium. Profit before tax was also impacted due to higher new business strain resulting from the new business growth. New business strain arises when the premium paid at the commencement of a contract is not sufficient to cover the initial expenses including

acquisition costs and any mathematical reserve that ICICI Prudential Life Insurance Company needs to set up at that point.

The total premium income of ICICI Prudential Life Insurance Company increased by 21.1% from Rs. 223.5 billion in fiscal 2017 to Rs. 270.7 billion in fiscal 2018 primarily due to an increase in retail renewal premium and retail new business premium. Retail renewal premium increased by 23.1% from Rs. 142.2 billion in fiscal 2017 to Rs. 175.0 billion in fiscal 2018. Retail new business premium increased by 18.8% from Rs. 70.7 billion in fiscal 2017 to Rs. 84.0 billion in fiscal 2018. Group premium increased from Rs. 10.7 billion in fiscal 2017 to Rs. 11.7 billion in fiscal 2018.

Other income of ICICI Prudential Life Insurance Company increased by 10.3% from Rs. 22.3 billion in fiscal 2017 to Rs. 24.6 billion in fiscal 2018 primarily due to an increase in fund management charges, mortality charges and policy administration charges.

Investment income of ICICI Prudential Life Insurance Company increased by 22.2% from Rs. 26.6 billion in fiscal 2017 to Rs. 32.5 billion in fiscal 2018 primarily due to an increase in net realized gains and interest income. The interest income increased from Rs. 20.6 billion in fiscal 2017 to Rs. 23.7 billion in fiscal 2018. The net realized gains increased from Rs. 6.0 billion in fiscal 2017 to Rs. 8.8 billion in fiscal 2018 primarily due to higher realized gains on sale of equity shares.

Commission expenses of ICICI Prudential Life Insurance Company increased by 84.2% from Rs. 7.6 billion in fiscal 2017 to Rs. 14.0 billion in fiscal 2018, primarily due to change in product mix and growth in business volume.

Claims and benefit payouts of ICICI Prudential Life Insurance Company increased by 36.0% from Rs. 11.1 billion in fiscal 2017 to Rs. 15.1 billion in fiscal 2018 primarily due to an increase in death, maturity and surrender claims.

Transfer to linked funds including the investible portion of the premium on linked policies of ICICI Prudential Life Insurance Company increased by 22.1% from Rs. 160.6 billion in fiscal 2017 to Rs. 196.1 billion in fiscal 2018 primarily due to an increase in linked premium. The investible portion of the premium on linked policies of life insurance represents the premium income including renewal premium received on linked policies of life insurance business invested, after deducting charges and premium for risk coverage, in the underlying asset or index chosen by the policy holder.

Assets held to cover the linked liabilities of ICICI Prudential Life Insurance Company increased from Rs. 878.8 billion at year-end fiscal 2017 to Rs. 975.0 billion at year-end fiscal 2018 primarily due to an increase in investments in equity shares and corporate bonds.

Liabilities on life policies of ICICI Prudential Life Insurance Company increased by 13.8% from Rs. 1,155.0 billion at year-end fiscal 2017 to Rs. 1,314.9 billion at year-end fiscal 2018.

General Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Gross written premium (including premium on re-insurance accepted)	Rs. 109,605	Rs. 126,001	US$ 1,935	15.0 %
Premium on re-insurance ceded	(43,657)	(47,553)	(730)	8.9
Unexpired risk reserve	(4,312)	(9,330)	(143)	116.4
Net premium earned	61,636	69,117	1,062	12.1
Commission income (net)	4,341	2,840	44	(34.6)
Investment income from pool(1)	245	275	4	12.3
Investment income	13,105	14,822	228	15.5
Total income	79,327	87,054	1,338	10.1
Operating expenses	19,820	21,119	324	6.6
Claims/benefits paid (net)	49,543	53,147	816	7.3

	Year ended March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Other expenses (net)	863	826	13	39.7
Total expense	70,226	75,092	1,153	7.3
Profit/(loss) before tax	Rs. **9,101**	Rs. **11,962**	US$ **I85**	31.4 %

(1) Investment income from pool represents our share of income from the terrorism pool. The pool represents a multilateral re-insurance arrangement entered into by ICICI Lombard General Insurance Company Limited together with other Indian insurance companies and the General Insurance Corporation of India. The funds belonging to the terrorism pool are administered by the General Insurance Corporation of India.

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance on March 31,			
	2017	2018	2018	2018/2017 % change
	(in millions, except percentages)			
Investments	Rs. I46,680	Rs. I80,261	US$ 2,769	22.9 %
Current liabilities including claims outstanding	149,149	195,112	2,997	30.8
Provisions	Rs. K5,485	Rs. L4,784	US$ 688	26.2 %

The industry witnessed a growth of 17.5% in fiscal 2018 on the basis of gross direct premium primarily due to growth in crop, health and motor insurance segment. ICICI Lombard General Insurance Company Limited registered a growth of 15.2% in gross direct premium during fiscal 2018 primarily due to an increase in health and motor insurance portfolio. ICICI Lombard General Insurance Company Limited has maintained its leadership position among private sector general insurance companies with a market share of 16.8% during fiscal 2018. (Source: General Insurance Council/Insurance Regulatory and Development Authority of India).

The profit before tax of ICICI Lombard General Insurance Company increased by 31.4% from Rs. 9.1 billion in fiscal 2017 to Rs. 12.0 billion in fiscal 2018 primarily due to an increase in net earned premium and investment income, offset, in part, by a decrease in net commission income and an increase in net claims incurred.

The gross direct premium income increased by 15.2% from Rs. 107.3 billion in fiscal 2017 to Rs. 123.6 billion in fiscal 2018 primarily due to an increase in motor and health insurance business. The net premium income increased from Rs. 61.6 billion in fiscal 2017 to Rs. 69.1 billion in fiscal 2018.

Net commission income decreased by 34.6% from Rs. 4.3 billion in fiscal 2017 to Rs. 2.8 billion in fiscal 2018 primarily due to an increase in direct commission paid on motor insurance business and a decrease in re-insurance commission income on crop insurance.

Investment income increased by 13.0% from Rs. 13.1 billion in fiscal 2017 to Rs. 14.8 billion in fiscal 2018 primarily due to an increase in interest income and net realized gains. Interest income increased from Rs. 8.6 billion in fiscal 2017 to Rs. 10.0 billion in fiscal 2018. Realized gain on sale of investment securities increased from Rs. 3.9 billion in fiscal 2017 to Rs. 4.4 billion in fiscal 2018 primarily due to higher gain on equity investments and government securities.

Operating expenses increased by 6.6% from Rs. 19.8 billion in fiscal 2017 to Rs. 21.1 billion in fiscal 2018 primarily due to an increase in advertising and publicity expenses.

Claims/benefits paid increased by 7.3% from Rs. 49.5 billion in fiscal 2017 to Rs. 53.1 billion in fiscal 2018 reflecting an increase in crop/weather insurance claims.

Investments increased by 22.9% from Rs. 146.7 billion at year-end fiscal 2017 to Rs. 180.3 billion at year-end fiscal 2018 primarily due to an increase in investment in debentures, bonds and equity shares. Current liabilities, including claims outstanding, increased by 30.8% from Rs. 149.1 billion at year-end fiscal 2017 to Rs. 195.1 billion at year-end fiscal 2018 primarily due to an increase in claims outstanding and re-insurance and co-insurance payables.

The solvency margin was 205.0% at year-end fiscal 2018 as against the stipulated requirement of 150.0% at year-end fiscal 2018.

Combined ratio [(Net incurred claims/Net earned premium) + (Management Expenses - Commission on reinsurance)/Net written premium] was 100.2% in fiscal 2018 compared to 103.9% in fiscal 2017 primarily due to a decrease in loss ratios (Net claims incurred/Net earned premium) of motor and health insurance segment. Loss ratio decreased from 80.4% in fiscal 2017 to 76.9% in fiscal 2018.

Others

The "others" segment mainly includes ICICI Prudential Asset Management Company Limited, ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited.

ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the period ended March 31, 2018 according to Association of Mutual Funds in India.

ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities Limited owns icicidirect.com, a leading online brokerage platform.

The profit before tax of the "others" segment decreased from Rs. 21.8 billion in fiscal 2017 to Rs. 21.0 billion in fiscal 2018 primarily due to a decrease in profit before tax of ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited, offset, in part, by an increase in profit before tax of ICICI Securities Limited and ICICI Prudential Asset Management Company Limited.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,		
	2017	2018	2018

				2018/2017 % change
	(in millions, except percentages)			
Net interest income	Rs. 5,400	Rs. 6,155	US$ 95	14.0 %
Non-interest income	34,215	38,021	584	11.1
Total income	39,615	44,176	678	11.5
Non-interest expenses	17,761	22,117	340	24.5
Operating profit before provisions and tax	21,854	22,059	339	0.9
Provisions	90	1,019	16	1,032.2
Profit before tax	**Rs. 21,764**	**Rs. 21,040**	**US$ 323**	**(3.3)%**

Net interest income increased by 14.0% from Rs. 5.4 billion in fiscal 2017 to Rs. 6.2 billion in fiscal 2018 primarily due to an increase in net interest income of our Securities broking subsidiary and primary dealership subsidiary, offset, in part, by a decrease in net interest income of our home finance subsidiary.

Non-interest income increased by 11.1% from Rs. 34.2 billion in fiscal 2017 to Rs. 38.0 billion in fiscal 2018 primarily due to an increase in fees income of our securities broking subsidiary and management fees of our asset management subsidiary, offset, in part, by a decrease in trading gains of our primary dealership subsidiary.

Non-interest expenses increased by 24.5% from Rs. 17.8 billion in fiscal 2017 to Rs. 22.1 billion in fiscal 2018 primarily due to an increase in administrative expenses and staff expenses of our asset management and securities broking subsidiary.

The profit before tax of ICICI Securities Limited increased from Rs. 5.2 billion in fiscal 2017 to Rs. 8.5 billion in fiscal 2018 primarily due to an increase in fee income and net interest income, offset, in part, by an increase in staff cost and other administrative expenses. Fee income increased primarily due to an increase in brokerage income and third party product distribution fees. The brokerage income increased due to higher secondary market retail volumes. The third party product distribution fees increased primarily due to an increase in business volumes of mutual fund and wealth products. During fiscal 2018, the Securities and Exchange Board

of India allowed brokers to offer margin funding to their clients. ICICI Securities Limited had outstanding advances for margin funding of Rs. 5.6 billion at year-end fiscal 2018.

The profit before tax of ICICI Securities Primary Dealership Limited decreased from Rs. 6.3 billion in fiscal 2017 to Rs. 1.7 billion in fiscal 2018, primarily due to a sharp decline in trading gains. Trading gains decreased primarily due to an increase in yield on government securities resulting in lower trading opportunity.

The profit before tax of ICICI Prudential Asset Management Company Limited increased from Rs. 7.3 billion in fiscal 2017 to Rs. 9.5 billion in fiscal 2018 primarily due to an increase in fee income on account of an increase in average assets under management and change in product-mix in favor of equity mutual fund, which earns higher fees. Fee income increased from Rs. 13.0 billion in fiscal 2017 to Rs. 18.2 billion in fiscal 2018. The above increase was, offset, in part, by an increase in other administrative expenses. Average assets under management for mutual funds increased from Rs. 2,214.8 billion in fiscal 2017 to Rs. 2,963.4 billion in fiscal 2018 and average assets under management for equity schemes increased from Rs. 777.2 billion in fiscal 2017 to Rs. 1,327.3 billion in fiscal 2018 (Source: Association of Mutual Funds of India). Other administrative expenses increased from Rs. 4.4 billion in fiscal 2017 to Rs. 7.3 billion in fiscal 2018.

The profit before tax of ICICI Home Finance Company Limited decreased from Rs. 2.8 billion in fiscal 2017 to Rs. 1.1 billion in fiscal 2018 primarily due to an increase in provision on loans and investments and a decrease in fee income and net interest income. Net interest income decreased from Rs. 3.0 billion in fiscal 2017 to Rs. 2.6 billion in fiscal 2018. Fees income decreased from Rs. 0.6 billion in fiscal 2017 to Rs. 0.3 billion in fiscal 2018. Provisions increased from a write-back of Rs. 0.04 billion in fiscal 2017 to a provision of Rs. 0.9 billion in fiscal 2018. Net non-performing assets increased from Rs. 0.7 billion at year-end fiscal 2017 to Rs. 2.0 billion at year-end fiscal 2018.

The profit before tax of ICICI Venture Fund Management Company Limited increased from Rs. 0.1 billion in fiscal 2017 to Rs. 0.2 billion in fiscal 2018 primarily due to an increase in management fees. Management fees increased primarily due to management fees from new entities.

Fiscal 2017 Compared with Fiscal 2016

The following table sets forth, for the periods indicated, profit before tax of various segments.

Year ended March 31,

	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Retail Banking	Rs. 38,977	Rs.M3,853	US$ 827	38.2 %
Wholesale Banking	(12,454)	(74,341)	(1,142)	496.9
Treasury	86,163	120,814	1,856	40.2
Other Banking	6,790	3,022	46	(55.5)
Life Insurance	17,716	17,849	274	0.8
General Insurance	7,077	9,101	140	28.6
Others	14,252	21,764	334	52.7
Profit before tax	**Rs.I58,521**	**Rs.I52,062**	**US$J,335**	**(4.1 %)**

Retail Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 91,914	Rs. 113,270	US$ 1,740	23.2 %
Non-interest income	49,023	57,535	883	17.4
Total income	140,937	170,805	2,623	21.2
Non-interest expenses	97,972	112,260	1,724	14.6
Profit before provisions	42,965	58,545	899	36.3

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Provisions	3,988	4,692	72	17.7
Profit before tax	**Rs.38,977**	**Rs.53,853**	**US$827**	**38.2 %**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Advances	Rs.1,608,891	Rs.I,999,885	US$ 30,715	24.3 %
Deposits	2,982,101	3,518,338	54,037	18.0

Loans in the retail banking segment increased primarily due to higher disbursements, mainly in home loans, automobile loans and personal loans. The retail banking segment maintained its focus on strengthening its deposit franchise reflected in the increase in the retail deposit base. The savings account deposits of the segment increased by 28.0% from Rs. 1,342.3 billion at year-end fiscal 2016 to Rs. 1,718.4 billion at year-end fiscal 2017.

The profit before tax of the retail banking segment increased from Rs. 39.0 billion in fiscal 2016 to Rs. 53.9 billion in fiscal 2017, primarily due to an increase in net interest income and non-interest income.

Net interest income increased by 23.2% from Rs. 91.9 billion in fiscal 2016 to Rs. 113.3 billion in fiscal 2017 primarily due to an increase in the loan portfolio and increase in current account and savings account deposits.

Non-interest income increased by 17.4% from Rs. 49.0 billion in fiscal 2016 to Rs. 57.5 billion in fiscal 2017 primarily due an increase in third party product distribution fees, lending linked fees, transaction banking fees and fees from credit card portfolio.

Non-interest expenses increased by 14.6% from Rs. 98.0 billion in fiscal 2016 to Rs 112.3 billion in fiscal 2017 primarily due to an increase in direct marketing expenses and an increase in operating expenses due to expansion in branch network.

Provisions increased from Rs. 3.9 billion in fiscal 2016 to Rs. 4.7 billion in fiscal 2017 reflecting an increase in retail loan portfolio. See also "*Business – Risk management – Credit risk – Assessment of Retail Loans" and "Business – Classification of loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*".

Wholesale Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 83,615	Rs. N5,712	US$ 1,009	(21.4 %)
Non-interest income	38,064	35,304	542	(7.3)
Total income	121,679	101,016	1,551	(17.0)
Non-interest expenses	25,981	32,414	498	24.8
Profit before provisions	95,698	68,602	1,053	(28.3)
Provisions	108,152	142,943	2,195	32.2
Profit before tax	**Rs. (12,454)**	**Rs. (74,341)**	**US$ (1,142)**	**496.9 %**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

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	Outstanding balance at March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Advances	Rs. 2,609,440	Rs. 2,565,395	US$ 39,401	(1.7 %)
Deposits	1,132,167	1,358,117	20,859	20.0 %

The loan portfolio of the wholesale banking segment decreased by 1.7% from Rs. 2,609.4 billion at year-end fiscal 2016 to Rs. 2,565.4 billion at year-end fiscal 2017. The current account deposits increased by 25.9% from Rs. 331.3 billion at year-end fiscal 2016 to Rs. 417.1 billion at year-end fiscal 2017 and the term deposits in the segment increased by 17.5% from Rs. 800.8 billion at year-end fiscal 2016 to Rs. 941.1 billion at year-end fiscal 2017.

The loss before tax of the wholesale banking segment increased from Rs. 12.4 billion in fiscal 2016 to Rs. 74.3 billion in fiscal 2017 primarily due to reduction in net interest income and increase in provisions.

Net interest income decreased by 21.4% from Rs. 83.6 billion in fiscal 2016 to Rs. 65.7 billion in fiscal 2017 primarily due to higher additions to non-performing assets and loans under strategic debt restructuring scheme and reduction in base rate during fiscal 2016 and fiscal 2017. The Bank accounts for interest income on a cash basis on non-performing assets and cases where strategic debt restructuring has been invoked. Non-interest income decreased by 7.3% from Rs. 38.0 billion in fiscal 2016 to Rs. 35.3 billion in fiscal 2017, primarily due to a decrease in fee income. The corporate fee income continued to be adversely impacted due to subdued corporate activity.

Non-interest expenses increased by 24.8% from Rs. 26.0 billion in fiscal 2016 to Rs. 32.4 billion in fiscal 2017, primarily due to an increase in employee cost and other operating expenses.

Provisions increased from Rs. 108.1 billion in fiscal 2016 to Rs. 142.9 billion in fiscal 2017 primarily due an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio including downgrades from the restructured loan portfolio, cases where strategic debt restructuring has been invoked/implemented and specific provision on certain standard loans. During fiscal 2017, the additions to non-performing loans, including slippages from restructured loans, and provisions remained elevated as the corporate sector challenges continued due to the slowdown in economic growth, low corporate profitability, subdued investment activity, and impact on business activity following the withdrawal of high denomination currency notes. While several companies are working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, the process of resolution of stressed assets remained slower than expected due to delays in decision making at the Joint Lenders' Forum that was set up to explore options for early resolution of stress in loan accounts. Several measures were announced by the Reserve Bank of India and the government, including the introduction of the Insolvency and Bankruptcy Code, during the year to enable early resolution of assets. However, the continued challenges in the operating and recovery environment impacted the pace of resolution leading to a

significant increase in non-performing loans and provisions during fiscal 2017.

Treasury

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 30,969	Rs. 31,615	US$ 485	2.1 %
Non-interest income	61,457	98,701	1,516	60.6
Total income	92,426	130,316	2,001	41.0
Non-interest expenses	1,796	2,177	33	21.2
Profit before provisions	90,630	128,139	1,968	41.4
Provisions	4,467	7,325	113	64.0
Profit before tax	**Rs.86,163**	**Rs.120,814**	**US$1,855**	**40.2 %**

The following table sets forth, for the periods indicated, the closing balances of key assets and liabilities.

	Closing balance at March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Investments	Rs. 1,604,397	Rs. 1,615,348	US$ 24,810	0.7 %
Borrowings	1,748,074	1,475,562	22,663	(15.6 %)

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services, such as forward contracts, swaps and options. They also include investments made by ICICI Strategic Investments Fund and ICICI Equity Fund (up to September 30, 2015).

The profit before tax of the treasury segment increased by 40.2% from Rs. 86.2 billion in fiscal 2016 to Rs. 120.8 billion in fiscal 2017 primarily due to an increase in non-interest income, offset, in part, by an increase in provisions.

Net interest income increased by 2.1% from Rs. 31.0 billion in fiscal 2016 to Rs. 31.6 billion in fiscal 2017, primarily due to a decrease in cost of borrowings, offset, in part, by a decrease in yields on investments.

Non-interest income increased by 60.6% from Rs. 61.5 billion in fiscal 2016 to Rs. 98.7 billion in fiscal 2017 primarily due to a gain of Rs. 51.3 billion on sale of stake in ICICI Prudential Life Insurance Company Limited through initial public offer and higher realized gains on the government securities and other fixed income securities.

Provisions increased from Rs. 4.5 billion in fiscal 2016 to Rs. 7.3 billion in fiscal 2017 primarily due to provision on security receipts and equity shares acquired on conversion of loans.

Other Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change

	(in millions, except percentages)			
Net interest income	Rs. 15,288	Rs. 15,184	US$ 233	(0.7 %)
Non-interest income	2,477	3,095	47	24.9
Total income	17,765	18,279	280	2.9
Non-interest expenses	4,883	4,703	72	(3.7)
Profit before provisions	12,882	13,576	208	5.4
Provisions	6,092	10,554	162	73.2
Profit before tax	**Rs.6,790**	**Rs.3,022**	**US$46**	**(55.5 %)**

The following table sets forth, for the periods indicated, the outstanding balances of the key assets and liabilities.

	Outstanding balance on March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Advances	Rs.638,887	Rs.502,938	US$ 7,724	(21.3 %)
Investments US$	80,001	76,940	1,182	(3.8)
Deposits	400,943	255,054	3,917	(36.4)
Borrowings	Rs.252,530	Rs.232,139	US$ 3,565	(8.1 %)

Other banking business includes our leasing operations, our overseas banking subsidiaries, ICICI Bank UK and ICICI Bank Canada and other items not attributable to any particular business segment of the Bank.

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The profit before tax of our other banking segment decreased from Rs. 6.8 billion in fiscal 2016 to Rs. 3.0 billion in fiscal 2017, primarily due to an increase in provisions, offset, in part, by an increase in non-interest income.

Net interest income decreased marginally from Rs. 15.3 billion in fiscal 2016 to Rs. 15.2 billion in fiscal 2017.

Non-interest income increased by 24.9% from Rs. 2.5 billion in fiscal 2016 to Rs. 3.1 billion in fiscal 2017, primarily due to an increase in non-interest income of ICICI Bank Canada. Non-interest income of ICICI Bank Canada increased primarily due to an increase in fee income and realized gains on call back of corporate bonds by the issuers.

Non-interest expenses decreased from Rs. 4.9 billion in fiscal 2016 to Rs. 4.7 billion in fiscal 2017.

Provisions increased by 73.2% from Rs. 6.1 billion in fiscal 2016 to Rs. 10.6 billion in fiscal 2017 primarily due to higher provisions made by ICICI Bank UK and ICICI Bank Canada. Provisions of our UK subsidiary increased from Rs. 3.9 billion in fiscal 2016 to Rs. 4.6 billion in fiscal 2017 primarily due to specific provision made on impaired loans, offset, in part, by a decrease in provision on investments. Provisions of our Canadian subsidiary increased from Rs. 1.8 billion in fiscal 2016 to Rs. 5.7 billion in fiscal 2017 primarily due to specific provision made on impaired loans.

Advances decreased by 21.3% from Rs. 638.9 billion at year-end fiscal 2016 to Rs. 502.9 billion at year-end fiscal 2017, primarily due to a decrease in advances of ICICI Bank and ICICI Bank UK. Advances of ICICI Bank decreased from Rs. 134.3 billion at year-end fiscal 2016 to Rs. 77.0 billion at year-end fiscal 2017 primarily due to maturity of loans against Foreign Currency Non-Resident (Bank) deposits in fiscal 2017. Advances of ICICI Bank UK decreased from Rs. 209.1 billion at year-end fiscal 2016 to Rs. 153.9 billion at year-end fiscal 2017 primarily due to a decrease in corporate loan on account of prepayment/sell-down and maturities of retail loans against foreign currency non-resident deposits. Advances of ICICI Bank Canada decreased from Rs. 295.5 billion at year-end fiscal 2016 to Rs. 272.0 billion primarily due to prepayment/repayment of corporate loans at fiscal 2017.

Investments decreased by 3.8% from Rs. 80.0 billion at year-end fiscal 2016 to Rs. 76.9 billion at year-end fiscal 2017, primarily due to a decrease in investments of ICICI Bank UK, offset, in part, by an increase in investments of ICICI Bank Canada. The investment portfolio of ICICI Bank UK decreased from Rs. 49.3 billion at year-end fiscal 2016 to Rs. 44.3 billion at year-end fiscal 2017 primarily due to maturity of investments in government securities. The investment portfolio of ICICI Bank Canada increased from Rs. 30.8 billion at year-end fiscal 2016 to Rs. 32.6 billion at year-end fiscal 2017 primarily due to deployment of additional liquidity in bankers' acceptances.

Deposits decreased by 36.4% from Rs. 400.9 billion at year-end fiscal 2016 to Rs. 255.1 billion at year-end fiscal 2017 primarily due to a decrease in deposits of ICICI Bank and ICICI Bank UK. Deposits of ICICI Bank decreased from Rs. 97.5 billion at year-end fiscal 2016 to Rs. 23.9 billion at year-end fiscal 2017 primarily due to redemption of Foreign Currency Non-Resident (Bank) deposits. Deposits of ICICI Bank UK decreased from Rs. 163.4 billion at year-end fiscal 2016 to Rs. 106.9 billion at year-end fiscal 2017, primarily due to a decrease in institutional deposits, retail term and saving deposits, offset, in part, by an increase in corporate term deposits. Deposits of ICICI Bank Canada decreased from Rs. 140.0 billion at year-end fiscal 2016 to Rs. 124.2 billion at year-end fiscal 2017, primarily due to a decrease in term deposits, offset, in part, by an increase in current deposits.

Borrowings decreased by 8.1% from Rs. 252.5 billion at year-end fiscal 2016 to Rs. 232.1 billion at year-end fiscal 2017 primarily due to a decrease in the borrowings of ICICI Bank UK. Borrowings of ICICI Bank UK decreased from Rs. 98.7 billion at year-end fiscal 2016 to Rs. 81.2 billion at year-end fiscal 2017 primarily due to a decrease in repo borrowings. Borrowings of ICICI Bank Canada decreased marginally from Rs. 153.8 billion at year-end fiscal 2016 to Rs. 150.9 billion at year-end fiscal 2017.

With regard to our overseas banking subsidiaries, global developments, including decline in crude oil prices and the election by a majority of voters in the United Kingdom to withdraw from the European Union in a national referendum, are expected to slow down economic growth in Canada and the United Kingdom, which in turn could impact the business of our banking subsidiaries in these countries.

Life Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Premium earned	Rs. I91,644	Rs. 223,540	US$ 3,433	16.6 %
Premium on reinsurance ceded	(1,657)	(1,988)	(31)	20.0
Net premium earned	189,987	221,552	3,402	16.6
Other income	20,365	22,305	343	9.5
Investment income	21,285	26,605	409	25.0
Total income	231,637	270,462	4,154	16.8
Commission paid	6,200	7,589	116	22.4
Claims/benefits paid	16,975	11,118	171	(34.5)
Operating expenses	19,951	24,728	380	23.9
Total expenses	43,126	43,435	667	0.7
Transfer to linked funds	139,479	160,605	2,467	15.1
Provisions for policy holder liabilities (non-linked)	31,316	48,573	746	55.1
Profit before tax	**Rs. 17,716**	**Rs. 17,849**	**US$ J74**	**0.8 %**

The following table sets forth, for the periods indicated, the outstanding balance of key assets and liabilities.

	Outstanding balance on March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Investments	Rs. 270,320	Rs. K25,351	US$ L,997	20.4 %
Assets held to cover linked liabilities	752,958	878,784	13,497	16.7
Liabilities on life policies	970,534	1,154,974	17,739	19.0

The life insurance industry in India registered a growth of 20.7% in retail weighted new business premium in fiscal 2017, according to the Life Insurance Council with ICICI Prudential Life Insurance Company registering a growth of 29.0%.

ICICI Prudential Life Insurance Company maintained its leadership position among the private sector companies with a private market share of 22.3% on a retail weighted new business premium basis in fiscal 2017 compared to 21.9% in fiscal 2016. Overall market share on this basis increased from 11.3% in fiscal 2016 to 12.0% in fiscal 2017. Assets under management increased by 18.3% from Rs. 1,039.4 billion at year-end fiscal 2016 to Rs. 1,229.2 billion at year-end fiscal 2017.

The profit before tax of ICICI Prudential Life Insurance Company increased marginally from Rs. 17.7 billion in fiscal 2016 to Rs. 17.8 billion in fiscal 2017.

The total premium income of ICICI Prudential Life Insurance Company increased by 16.6% from Rs. 191.6 billion in fiscal 2016 to Rs. 223.5 billion in fiscal 2017 primarily due to an increase in retail renewal premium and retail new business premium. Retail renewal premium increased by 18.5% from Rs. 120.0 billion in fiscal 2016 to Rs. 142.2 billion in fiscal 2017. Retail new business premium increased by 29.4% from Rs. 54.6 billion in fiscal 2016 to Rs. 70.7 billion in fiscal 2017. Group premium decreased from Rs. 17.1 billion in fiscal 2016 to Rs. 10.7 billion in fiscal 2017.

Other income of ICICI Prudential Life Insurance Company increased by 9.5% from Rs. 20.4 billion in fiscal 2016 to Rs. 22.3 billion in fiscal 2017 primarily due to an increase in fund management charges and mortality charges.

Investment income of ICICI Prudential Life Insurance Company increased by 25.0% from Rs. 21.3 billion in fiscal 2016 to Rs. 26.6 billion in fiscal 2017 primarily due to an increase in net realized gains and interest income. The interest income increased from Rs. 18.4 billion in fiscal 2016 to Rs. 20.6 billion in fiscal 2017. The

net realized gains increased from Rs. 2.9 billion in fiscal 2016 to Rs. 6.0 billion in fiscal 2017 primarily due to higher realized gains on sale of equity shares and fixed income portfolio.

Commission expenses of ICICI Prudential Life Insurance Company increased by 22.4% from Rs. 6.2 billion in fiscal 2016 to Rs. 7.6 billion in fiscal 2017, which is in line with the change in product mix and an increase in total premium.

Claims and benefit payouts of ICICI Prudential Life Insurance Company decreased by 34.5% from Rs. 17.0 billion in fiscal 2016 to Rs. 11.1 billion in fiscal 2017 on account of lower surrenders, offset, in part, by an increase in death claims and maturity claims.

Transfer to linked funds including the investible portion of the premium on linked policies of ICICI Prudential Life Insurance Company increased by 15.1% from Rs. 139.5 billion in fiscal 2016 to Rs. 160.6 billion in fiscal 2017 primarily due to an increase in linked premium. The investible portion of the premium on linked policies of life insurance represents the premium income including renewal premium received on linked policies of life insurance business invested, after deducting charges and premium for risk coverage, in the underlying asset or index chosen by the policy holder.

Assets held to cover the linked liabilities of ICICI Prudential Life Insurance Company increased from Rs. 753.0 billion at year-end fiscal 2016 to Rs. 878.8 billion at year-end fiscal 2017 primarily due to an increase in investments in equity shares and corporate bonds.

Liabilities on life policies of ICICI Prudential Life Insurance Company increased by 19.0% from Rs. 970.5 billion at year-end fiscal 2016 to Rs. 1,155.0 billion at year-end fiscal 2017.

General Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,		
	2016	2017	2017

				2017/2016 % change
	(in millions, except percentages)			
Gross written premium (including premium on reinsurance accepted)	Rs. 82,960	Rs. I09,605	US$ I,683	32.1 %
Premium on reinsurance ceded	(28,611)	(43,657)	(670)	52.6
Unexpired risk reserve	(6,133)	(4,312)	(66)	(29.7)
Net premium earned	48,216	61,636	947	27.8
Commission income (net)	3,280	4,341	66	32.4
Investment income from pool[1]	242	245	4	1.2
Investment income	11,574	13,105	201	13.2
Total income	63,312	79,327	1,218	25.3
Operating expenses	17,112	19,820	304	15.8
Claims/benefits paid (net)	39,282	49,543	761	26.1
Other expenses (net)	(159)	863	13	N/M
Total expense	**56,235**	**70,226**	**1,078**	24.9
Profit/(loss) before tax	**Rs. 7,077**	**Rs. 9,101**	**US$ 140**	**28.6 %**

N/M- Not meaningful

(1) Investment income from pool represents our share of income from the terrorism pool. The pool represents a multilateral reinsurance arrangement entered into by ICICI Lombard General Insurance Company together with other Indian insurance companies and the General Insurance Corporation of India. The funds belonging to the terrorism pool are administered by the General Insurance Corporation of India.

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

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	Outstanding balance on March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Investments	Rs. 112,788	Rs. 146,680	US$ 2,253	30.0 %
Current liabilities including claims outstanding	90,754	149,149	2,291	64.3
Provisions	Rs. 31,158	Rs. 35,485	US$ 545	13.9 %

The general insurance industry witnessed a growth of 32.3% in fiscal 2017 on the basis of gross direct premium. Higher growth in the industry was primarily due to higher off-take in crop/weather insurance segment. ICICI Lombard General Insurance Company Limited registered a growth of 32.6% in gross direct premium during fiscal 2017 primarily due to an increase in crop/weather, health and motor insurance portfolio. ICICI Lombard General Insurance Company Limited has maintained its leadership position among private sector general insurance companies and an overall market share of 8.4% during fiscal 2017 on the basis of gross direct premium (Source: General Insurance Council/Insurance Regulatory and Development Authority of India).

The profit before tax of ICICI Lombard General Insurance Company increased by 28.6% from Rs. 7.1 billion in fiscal 2016 to Rs. 9.1 billion in fiscal 2017 primarily due to an increase in net earned premium and investment income, offset, in part, by an increase in claims and benefits payout.

The gross direct premium income increased by 32.6% from Rs. 80.9 billion in fiscal 2016 to Rs. 107.3 billion in fiscal 2017 primarily due to an increase in crop/weather, motor and health insurance business. The net premium income increased from Rs. 48.2 billion in fiscal 2016 to Rs. 61.6 billion in fiscal 2017.

Net commission income increased by 32.4% from Rs. 3.3 billion in fiscal 2016 to Rs. 4.3 billion in fiscal 2017 primarily due to higher reinsurance commission on crop insurance business.

Investment income increased by 13.2% from Rs. 11.6 billion in fiscal 2016 to Rs. 13.1 billion in fiscal 2017 primarily due to an increase in interest income and realized gains on sale of investment securities. Interest income increased from Rs. 7.9 billion in fiscal 2016 to Rs. 8.6 billion in fiscal 2017. Realized gain on sale of investment securities increased from Rs. 3.4 billion in fiscal 2016 to Rs. 3.9 billion in fiscal 2017 primarily due to higher gain on equity investments and government securities.

Operating expenses increased by 15.8% from Rs. 17.1 billion in fiscal 2016 to Rs. 19.8 billion in fiscal 2017 primarily due to an increase in business support expenses which is in-line with the increase in business volumes.

Claims/benefits paid increased by 26.1% from Rs. 39.3 billion in fiscal 2016 to Rs. 49.5 billion in fiscal 2017 reflecting an increase in business volumes.

Investments increased by 30.0% from Rs. 112.8 billion at year-end fiscal 2016 to Rs. 146.7 billion at year-end fiscal 2017 primarily due to an increase in investment in debentures, bonds and equity investments. Current liabilities, including claims outstanding, increased by 64.3% from Rs. 90.8 billion at year-end fiscal 2016 to Rs. 149.1 billion at year-end fiscal 2017 primarily due to an increase in claims outstanding.

Others

The “others” segment mainly includes ICICI Prudential Asset Management Company Limited, ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited.

ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the financial period ended March 31, 2017 according to the Association of Mutual Funds in India.

ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities Limited owns icicidirect.com, a leading online brokerage platform.

The profit before tax of the “others” segment increased from Rs. 14.3 billion in fiscal 2016 to Rs. 21.8 billion in fiscal 2017 primarily due to an increase in profit before tax of ICICI Securities Primary Dealership

Limited, ICICI Prudential Asset Management Company Limited, ICICI Securities Limited, ICICI Venture Funds Management Company Limited and ICICI Home Finance Company Limited.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2016	2017	2017	2017/2016 % change
	(in millions, except percentages)			
Net interest income	Rs. 4,470	Rs. 5,400	US$ 83	20.8 %
Non-interest income	25,461	34,215	525	34.4
Total income	29,931	39,615	608	32.4
Non-interest expenses	15,501	17,761	273	14.6
Operating profit before provisions and tax	14,430	21,854	335	51.4
Provisions	178	90	1	(49.2)
Profit before tax	**Rs. 14,252**	**Rs. 21,764**	**US$ 334**	**52.7 %**

Net interest income increased by 20.8% from Rs. 4.5 billion in fiscal 2016 to Rs. 5.4 billion in fiscal 2017.

Non-interest income increased by 34.4% from Rs. 25.5 billion in fiscal 2016 to Rs. 34.2 billion in fiscal 2017 primarily due to an increase in fees income and other income of our securities broking and primary dealership subsidiary and management fees of our asset management subsidiary.

Non-interest expenses increased by 14.6% from Rs. 15.5 billion in fiscal 2016 to Rs. 17.8 billion in fiscal 2017 primarily due to an increase in administrative expenses and staff expenses of our securities broking and asset management subsidiary.

The profit before tax of ICICI Securities Limited increased from Rs. 3.7 billion in fiscal 2016 to Rs. 5.2 billion in fiscal 2017 primarily due to an increase in fee income, offset, in part, by an increase in staff cost and other administrative expenses. Fee income increased primarily due to an increase in brokerage income, third party product distribution fees and corporate finance fees. The brokerage income increased due to higher secondary market retail volumes.

The profit before tax of ICICI Securities Primary Dealership Limited increased from Rs. 3.0 billion in fiscal 2016 to Rs. 6.3 billion in fiscal 2017, primarily due to an increase in trading gains and net interest income. Trading gains were higher in fiscal 2017 due to favorable interest rate movements resulting in higher opportunities for making gains through trading activities.

The profit before tax of ICICI Prudential Asset Management Company Limited increased from Rs. 5.0 billion in fiscal 2016 to Rs. 7.3 billion in fiscal 2017 primarily due to an increase in fee income on account of an increase in average assets under management and change in product-mix in favor of equity mutual fund, which earns higher fees. Fee income increased from Rs. 9.9 billion in fiscal 2016 to Rs. 13.0 billion in fiscal 2017. The above increase was, offset, in part, by an increase in administrative expenses and staff cost.

The profit before tax of ICICI Home Finance Company Limited increased from Rs. 2.7 billion in fiscal 2016 to Rs. 2.8 billion in fiscal 2017 primarily due to a decrease in provisions and staff cost, offset, in part, by a decrease in fees income. Net interest income increased from Rs. 2.9 billion in fiscal 2016 to Rs. 3.0 billion in fiscal 2017. Fees income decreased from Rs. 0.9 billion in fiscal 2016 to Rs. 0.6 billion in fiscal 2017. Provisions decreased from a provision of Rs. 0.2 billion in fiscal 2016 to write-back of Rs. 0.04 billion in fiscal 2017.

The profit before tax of ICICI Venture Fund Management Company Limited increased from a loss of Rs. 0.2 billion in fiscal 2016 to a profit of Rs. 0.1 billion in fiscal 2017 primarily due to an increase in management fees. Management fees increased primarily due to management fees from new entities.

Related Party Transactions

In fiscal 2018, we entered into transactions with related parties consisting of (i) associates/other related entities and (ii) key management personnel and their close family members.

Related Parties

Associates/Other Related Entities

In fiscal 2018, the following parties were identified as our associates/other related entities: ICICI Merchant Services Private Limited, India Advantage Fund-III, India Advantage Fund-IV, India Infradebt Limited, I-Process Services (India) Private Limited, NIIT Institute of Finance Banking and Insurance Training Limited, Comm Trade Services Limited and ICICI Foundation for Inclusive Growth.

Key Management Personnel and their Close Family Members

Our key management personnel include our executive directors. The following individuals were our key management personnel in fiscal 2018: Ms. Chanda Kochhar; Mr. N. S. Kannan; Ms. Vishakha Mulye, Mr. Vijay Chandok and Mr. Anup Bagchi. The close family members of the above key management personnel are also our related parties. Close family members in relation to the executive directors means their spouses, children, siblings and parents. We have applied the Indian GAAP standard in determining the close family members of the executive directors.

Related Party Transactions

The following are the material transactions between us and our associates/other related entities or our key management personnel or their close family members. A related party transaction is disclosed as a material related party transaction whenever it exceeds 10% of all related party transactions in that category.

For additional details, see also "*Management—Compensation and Benefits to Directors and Officers—Loans*" and note 2 - "Related Party Transactions" of Schedule 18 to the consolidated financial statements included herein.

Insurance Services

During fiscal 2018, we received insurance premiums from our associates/other related entities amounting to Rs. 34 million, from key management personnel of the Bank amounting to Rs. 3 million and from the close family members of key management personnel amounting to Rs. 5 million. The premiums received were towards cover for health insurance, personal accident, marine and miscellaneous items. Our material transaction during fiscal 2018 included Rs. 30 million of premiums received from ICICI Foundation for Inclusive Growth.

During fiscal 2018, we paid claims to our associates/other related entities amounting to Rs. 0.1 million and to the close family members of key management personnel amounting to Rs. 0.4 million. Our material transactions during fiscal 2017 include Rs. 0.1 million of claims paid to I-Process Services (India) Private Limited and Rs. 0.4 million of claims paid to Mr. Deepak Kochhar.

Fees, Commission and Other Income

During fiscal 2018, we received fees, commission and other income from our associates/other related entities amounting to Rs. 25 million, from key management personnel of the Bank amounting to Rs. 1 million and from the close family members of key management personnel amounting to Rs. 0.0 million (insignificant amount). These transactions primarily generated management, arranger fees and bank charges for us. Our material transactions during fiscal 2018 included Rs. 23 million of fees, commission and other income received from India Infradebt Limited and Rs. 2 million of fees, commission and other income received from ICICI Merchant Services Private Limited.

During fiscal 2018, we received commission on bank guarantees from NIIT Institute of Finance, Banking and Insurance Training Limited amounting to Rs. 0.1 million.

Recovery of lease of Premises, Shared Corporate and Facilities Expenses

During fiscal 2018, we received lease of premises, facilities and other administrative costs from our associates/other related entities amounting to Rs. 69 million. Our material transaction during fiscal 2018 included Rs. 64 million received from ICICI Foundation for Inclusive Growth. The amounts were paid by ICICI Foundation for Inclusive Growth to the Bank towards their share of the shared corporate expenses, infrastructure and technology sharing charges.

Recovery of secondment of Employees

During fiscal 2018, we received compensation from I-Process Services (India) Private Limited amounting to Rs. 9 million for the recovery of secondment of our employees.

Brokerage, Fees and Other Expenses

During fiscal 2018, we paid brokerage, fees and other expenses to our associates/other related entities amounting to Rs. 7.0 billion. These transactions primarily pertain to outsourcing services and expenses towards providing basic banking services. Our material transactions during fiscal 2018 included Rs. 4.6 billion in brokerage, fees and other expenses paid to I-Process Services (India) Private Limited and Rs. 2.4 billion in brokerage, fees and other expenses paid to ICICI Merchant Services Private Limited.

Investments in securities issued by related parties

During fiscal 2018, we invested Rs. 12.9 billion in securities issued by India Infradebt Limited.

Redemption/buyback of Investments

During fiscal 2018, we received Rs. 386 million from India Advantage Fund-IV and Rs. 261 million from India Advantage Fund-III on account of redemption of venture capital units.

Interest Expenses

During fiscal 2018, we paid interest on deposits to our associates/other related entities amounting to Rs. 5 million, to our key management personnel amounting to Rs. 10 million and to the close family members of key management personnel amounting to Rs. 3 million. Our material transactions during fiscal 2018 included Rs. 2 million of interest paid to ICICI Foundation for Inclusive Growth, Rs. 2 million of interest paid to India Infradebt Limited and Rs. 10 million of interest paid to Ms. Chanda Kochhar.

Interest Income

During fiscal 2018, we received interest from our associates/other related entities amounting to Rs. 213 million, from our key management personnel amounting to Rs. 9 million and from the close family members of key management personnel amounting to Rs. 0.1 million. This transaction mainly pertains to interest received on non-convertible bonds. Our material transaction during fiscal 2018 included Rs. 213 million of interest received from India Infradebt Limited.

Gain/(loss) on forex and derivative transactions (net)

During fiscal 2018, we undertook forex and derivative transactions with our associates/other related entities. The net loss on forex and derivative transactions entered with ICICI Merchant Services Private Limited and with India Infradebt Limited was insignificant.

Dividend Income

During fiscal 2018, we received dividend from India Infradebt Limited amounting to Rs. 64 million.

Reimbursement of expenses to the Group

During fiscal 2018, we received reimbursement of expenses from India Infradebt Limited amounting to Rs. 3 million.

Reimbursement of expenses to related parties

During fiscal 2018, we reimbursed expenses to the NIIT Institute of Finance Banking and Insurance Training Limited amounting to Rs. 0.1 million.

Dividends Paid

During fiscal 2018, the Bank paid dividends to its key management personnel, amounting to Rs. 9 million and to the close family members of key management personnel was insignificant. The dividend paid during

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fiscal 2018 to Ms. Chanda Kochhar was Rs. 6 million, to Mr. N. S. Kannan was Rs. 1 million, to Ms. Vishakha Mulye was Rs. 2 million and to Mr. Vijay Chandok and Mr. Anup Bagchi were insignificant.

Donations Given

During fiscal 2018, we gave donations to the ICICI Foundation for Inclusive Growth amounting to Rs. 1.2 billion.

Related Party Balances

The following table sets forth, at the date indicated, our balance payable to/receivable from our associates/other related entities:

Items	At year-end fiscal 2018 (in million)
Deposits from related parties held by us	Rs. 1,070
Payables to related parties	761
Our investments in related parties	6,939
Investments in our shares held by related parties	..
Loans and advances to related parties[1]	..
Receivables from related parties	86
Guarantees issued by us for related parties	Rs. 1

The following table sets forth, at the date indicated, the balance payable to/receivable from the key management personnel:

Items	At year-end fiscal 2018 (in million, except number of shares)	
Deposits from key management personnel	Rs. 146	
Payables to key management personnel	0.0	(2)
Investments in our shares held by key management personnel	11	
Loans and advances to key management personnel[3]	161	
Employee stock options outstanding (numbers)	38,444,750	
Employee stock options exercised[4]	Rs. 60	

The following table sets forth, at the date indicated, the balance payable to/receivable from the close family members of key management personnel:

Items	At year-end fiscal 2018 (in million)
Deposits from close family members of key management personnel	Rs. 121
Payables to close family members of key management personnel	0.0 [2]
Investments in our shares held by close family members of key management personnel	0.0 [2]
Loans and advances to close family members of key management personnel[1]	Rs. 1

The following table sets forth, for the period indicated, the maximum balance payable to/receivable from the key management personnel:

Items	Year ended March 31, 2018 (in million)
Deposits from key management personnel	Rs. 198
Payables to key management personnel	0.1

Items	Year ended March 31, 2018
Investments in our shares held by key management personnel	11
Loans and advances to key management personnel[3]	Rs. 204

The following table sets forth, for the period indicated, the maximum balance payable to/receivable from the close family members of key management personnel:

Items	Year ended March 31, 2018 (in million)
Deposits from close family members of key management personnel	Rs. 551
Payables to close family members of key management personnel	0.1 [2]
Investments in our shares held by close family members of key management personnel	0.0 [2]
Loans and advances to close family members of key management personnel[1]	Rs. 3

(1) The loans and advances (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

(2) Insignificant amount.

(3) The loans and advances (a) were made in the ordinary course of business and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons or (b) were made on the same terms, including interest rates and collateral, as those prevailing at the time for other employees as part of employee loan scheme, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

(4) During fiscal 2018, 408,119 employee stock options were exercised by the key management personnel of the Bank, which have been reported at exercise price.

Joint Ventures and Associates

From fiscal 2008, FINO PayTech Limited (earlier known as Financial Inclusion Network & Operations Limited), I-Process Services (India) Private Limited, NIIT Institute of Finance Banking and Insurance Training Limited and ICICI Venture Value Fund were accounted as equity affiliates on consolidated financial statements. Due to an increase in the equity stake in the ICICI Venture Value Fund from 48.0% to 54.8% in fiscal 2010 by ICICI Ventures Fund Management Company Limited, a wholly owned subsidiary of the Bank, ICICI Venture Value Fund has been

consolidated as required by AS 21 on "Consolidated Financial Statements". However, from fiscal 2014, due to redemption of units of ICICI Venture Value Fund, this entity ceased to be a consolidating entity and accordingly has not been consolidated. In fiscal 2017, ICICI Group ceased to exercise significant influence over FINO PayTech Limited and therefore this entity ceased to be an equity affiliate of the Bank, and, accordingly, has not been accounted as an equity affiliate from January 5, 2017.

From fiscal 2010, investment in Rainbow Fund and ICICI Merchant Services Private Limited were accounted as equity affiliate in Consolidated Financial Statements. However, from fiscal 2014, due to redemption of units of Rainbow Fund, this entity ceased to be an equity affiliate from its date of the redemption, and, accordingly, has not been accounted as an equity affiliate.

From fiscal 2011, investment in Mewar Aanchalik Gramin Bank was accounted as equity affiliate in Consolidated Financial Statements. However, from fiscal 2015, Mewar Aanchalik Gramin Bank and another Regional Rural Bank were amalgamated into a single Regional Rural Bank. ICICI Bank does not have any shareholding in the new Regional Rural Bank. Accordingly, this entity ceased to be an equity affiliate from its date of the amalgamation, and, accordingly, has not been accounted as an equity affiliate.

From fiscal 2013, investment in India Infradebt Limited was accounted as an equity affiliate. In fiscal 2014, TCW/ICICI Investment Partners Limited ceased to be a jointly controlled entity and accordingly, has not been consolidated. From fiscal 2015, investment in India Advantage Fund-III and India Advantage Fund-IV was accounted as an equity affiliate.

Under Indian GAAP, we have not consolidated certain entities in which investments are intended to be temporary. However, under U.S. GAAP, these entities have been consolidated in accordance with FASB ASC Subtopic 810-10, "Consolidation – Overall".

Other Key Factors

Under U.S. GAAP, general insurance subsidiary is accounted for by the equity method of accounting as the minority shareholder (Fairfax Financial Holdings) has substantive participating rights, through joint venture agreement, as defined in ASC Subtopic 810-10, "Consolidation – Overall". In July 2017 our general insurance joint venture agreement with Fairfax Financial Holdings was terminated in a mutual agreement, with provisions for protection of both parties in the event of non-completion of the proposed initial public offering. Accordingly, the general insurance subsidiary has been consolidated from fiscal 2018 under ASC Topic 810, "Consolidation" against the current equity method of accounting.

Reconciliation of Net Profit between Indian GAAP and U.S. GAAP

Our consolidated financial statements are prepared in accordance with Indian GAAP, which differs in certain significant aspects from U.S. GAAP. The following discussion explains the significant adjustments to our consolidated profit after tax under Indian GAAP in fiscal 2018, fiscal 2017 and fiscal 2016 that would result from the application of U.S. GAAP instead of Indian GAAP.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 178.7 billion in fiscal 2018 under U.S. GAAP was higher than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 77.1 billion under Indian GAAP. In fiscal 2018, the net income under U.S. GAAP was higher primarily due to impact of difference in accounting between Indian GAAP and U.S. GAAP for termination of joint venture agreement for general insurance subsidiary, impact of lower loan loss provisioning under U.S. GAAP as compared to Indian GAAP, higher deferred tax benefit under U.S. GAAP as compared to Indian GAAP and the impact of amortization of loan processing fees, net of costs, under U.S. GAAP, offset, in part, by higher losses due to valuation of debt and equity securities and the impact of differences in accounting for compensation cost under U.S. GAAP. See also *note 20 to our* "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes*" under U.S. GAAP included herein.

During fiscal 2018, the joint venture agreement between ICICI Bank and Fairfax Financial Holdings for the general insurance subsidiary, which was earlier accounted as an affiliate, was terminated. Under U.S. GAAP, termination of the joint venture agreement resulted in the Bank obtaining control on general insurance subsidiary. Under U.S. GAAP,

the Bank re-measured its equity interest in the general insurance subsidiary at fair value amounting to Rs. 128.0 billion on the date of acquiring control and recognized a gain of Rs. 101.7 billion, which has been included in the line item 'Business Combination'. Under U.S. GAAP, goodwill was determined by deducting the fair value of net assets acquired from the fair value of equity interest held by the Bank and fair value of minority interest. Under Indian GAAP, no specific accounting was required for termination of the above joint venture agreement. See also *note 20 (b) Business Combinations to our "Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes"* and *"Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 21(a) Acquisition of ICICI Lombard General Insurance Company Limited" under U.S. GAAP included herein.*

The difference in accounting for the provision for loan losses resulted in a higher net income by Rs. 19.5 billion in fiscal 2018 as compared to lower net income by Rs. 19.6 billion in fiscal 2017 under U.S. GAAP, as compared to Indian GAAP. This was primarily due to differences in the methodology of computing loan loss allowances between Indian GAAP and U.S. GAAP, resulting in timing differences in the recognition of such allowances. During fiscal 2017, the aggregate provisions on troubled debt restructured loans and other impaired loans under U.S. GAAP were higher as compared to Indian GAAP, due to impaired loans under U.S. GAAP being significantly higher than Indian GAAP at year-end fiscal 2017. Further, provisions were also impacted due to differences in method of measurement of provisions between Indian GAAP and U.S. GAAP. In fiscal 2018, gross additions to non-performing loans remained significantly higher under Indian GAAP. These loans were generally classified as impaired under U.S. GAAP in earlier years. Further, in fiscal 2018, the Reserve Bank of India directed banks to commence proceedings under the Insolvency and Bankruptcy Code, 2016, in respect of certain corporate borrowers and also directed banks to make higher provisions against loans to these borrowers. Further, the Bank made additional provision in fiscal 2018 under Indian GAAP on loans classified as non-performing in earlier years due to past-due bucket movement. This resulted in continued higher provisions under

Indian GAAP in fiscal 2018. Under U.S. GAAP, while the provision on impaired loans in fiscal 2018 also continued to be elevated, it was lower than provision under Indian GAAP during the same year.

Further, under Indian GAAP, specific provision was made on loans where strategic debt restructuring was invoked/implemented as prescribed by the Reserve Bank of India. The Bank opted for fair value accounting for such loans and guarantees through income statement. Accordingly, provisions made on these loans under Indian GAAP were reversed in the line item "Allowance for loan losses". Under U.S. GAAP, fair value losses on these loans and guarantees amounting to Rs. 8.8 billion in fiscal 2018 as compared to Rs. 26.3 billion in fiscal 2017 were recorded in the line item "Valuation of debt and equity securities".

The cumulative loan loss allowances under U.S. GAAP at year-end fiscal 2018 continue to be higher than the cumulative provisions held under Indian GAAP by Rs. 44.1 billion, as shown in the statement of stockholders' equity reconciliation. Further, the cumulative fair value loss under U.S. GAAP on loans where strategic debt restructuring was invoked/implemented and opted for fair value accounting was Rs. 41.8 billion at year-end fiscal 2018. See also *note 20(a) to our* "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes*" under U.S. GAAP included herein.

The difference in accounting for consolidation resulted in higher net income by Rs. 0.1 billion in fiscal 2018 as compared to lower net income by Rs. 3.6 billion in fiscal 2017 under U.S. GAAP, as compared to Indian GAAP. In fiscal 2017, the gains from our insurance subsidiaries were lower by Rs. 3.3 billion under U.S. GAAP as compared to Indian GAAP. See also *note 21(i) to our* "Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes" under U.S. GAAP included herein.

ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited are consolidated on a line-by-line basis under Indian GAAP. Under U.S. GAAP, equity method (affiliate) accounting is required if minority shareholders have substantive participative rights in a subsidiary. ICICI Prudential Life Insurance Company Limited is accounted as an affiliate under U.S. GAAP. Till fiscal 2017, ICICI Lombard General Insurance Company Limited was also accounted as an affiliate under U.S. GAAP. From fiscal 2018, ICICI Lombard General Insurance Company Limited is consolidated on a line-by-line basis due to termination of joint venture agreement, resulting in the Bank obtaining control over ICICI Lombard General Insurance Company Limited.

The difference in accounting for the valuation of debt and equity securities resulted in lower net income by Rs. 51.4 billion in fiscal 2018 as compared to lower net income by Rs. 29.8 billion in fiscal 2017 under U.S. GAAP as compared to Indian GAAP.

Under Indian GAAP, gain or loss on sale of equity stake in a subsidiary company is recognized in the income statement. Under U.S. GAAP, change in the parent's ownership in the subsidiary company is accounted as an equity transaction, if the parent retains controlling financial interest in the subsidiary and accordingly gain or loss is not recognized in the income statement. While gain on sale of stake in ICICI Lombard General Insurance Company Limited and ICICI Securities Limited during fiscal 2018, was accounted in income statement under Indian GAAP, gain under U.S. GAAP was directly recorded in equity, resulting in lower net income of Rs. 49.1 billion under U.S. GAAP in fiscal 2018.

As discussed above, banks, including ICICI Bank, acquired equity shares in certain entities by invoking strategic debt restructuring based on the guidelines issued by the Reserve Bank of India. Under U.S. GAAP, these entities were considered as affiliates. The Bank opted for fair value accounting for these affiliates under ASC Topic 825 "Financial Instruments". Accordingly, provisions made on these loans under Indian GAAP were reversed in the line item "Allowance for loan losses" and fair value losses on the loans, guarantees and investments were accounted through income statement. This resulted in lower net income of Rs. 13.9 billion in fiscal 2018 as compared to Rs. 28.7 billion in fiscal 2017 under U.S. GAAP.

Under Indian GAAP unrealized losses of held-for-trading and available-for-sale securities are taken to profit and loss account, while net unrealized gains on investments by category are ignored. Under U.S. GAAP, unrealized gains or losses on trading assets are recognized in the profit and loss account and unrealized gains or losses on securities classified as 'available-for-sale', which include all securities classified as 'held-to-maturity' under Indian GAAP, are recognized in other comprehensive income under stockholders' equity except for the unrealized losses on securities identified as other-than-temporarily impaired which are recognized in profit and loss account. There was a positive impact of Rs. 22.1 billion in fiscal 2018 as compared to a positive impact of Rs. 3.4 billion in fiscal 2017 on net income under U.S. GAAP, due to differences in mark-to-market and provisioning accounting for available-for-sale securities. Further, there was a negative impact of other-than-

temporary impairment of Rs. 7.6 billion in fiscal 2018 as compared to Rs. 4.8 billion on net income in fiscal 2017 under U.S. GAAP.

We earn fees and incur costs on the origination of loans which are recognized upfront in Indian GAAP but are amortized in U.S. GAAP. Amortization of loan origination fees and costs resulted in higher income by Rs. 5.4 billion in fiscal 2018 as compared to higher income by Rs. 7.9 billion in fiscal 2017 under U.S. GAAP as compared to Indian GAAP. Under U.S. GAAP as compared to Indian GAAP, retirement benefit cost was higher by Rs. 1.8 billion in fiscal 2018 and lower by Rs. 0.9 billion in fiscal 2017. During fiscal 2018, discounting rate increased due to increase in yield on government securities resulting in actuarial gains. The actuarial gains were accounted through profit and loss account under Indian GAAP, while under U.S. GAAP actuarial gains were accounted through other comprehensive income. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes-Note 20(e)*" under U.S. GAAP included herein.

Deferred tax benefit was higher by Rs. 25.5 billion in fiscal 2018 as compared to higher by Rs. 13.1 billion in fiscal 2017 under U.S. GAAP as compared to Indian GAAP.

Deferred taxes are recognized on temporary differences related to investments in subsidiaries, branches and affiliates under U.S. GAAP while under Indian GAAP, no deferred taxes are recognized on temporary differences related to investments in subsidiaries, branches and affiliates. The long-term capital gains on sale of securities listed at stock exchanges were exempt from tax till fiscal 2018. Due to changes in tax laws, such long-term capital gains arising after April 1, 2018 are taxable. Accordingly, under U.S. GAAP, the Bank has recognized deferred tax asset amounting to Rs. 31.1 billion on its investment in listed subsidiaries and affiliate at March 31, 2018.

The Bank and its housing finance subsidiary create a Special Reserve through appropriation of profits, in order to avail the tax benefits as per the Income Tax Act, 1961. Under Indian GAAP, deferred tax liability has been recognized on such Special Reserve in accordance with the guidelines issued by Reserve Bank of India/National Housing Bank. Under U.S. GAAP, deferred taxes are recognized and measured based on the expected manner of recovery and deferred taxes are not recognized if the expected manner of recovery does not give rise to tax consequences. Accordingly, a deferred tax liability was not created on Special Reserve based on the Group's continuing intention to not ever withdraw/utilize such Special Reserve and based on an opinion from the legal counsel about non–taxability of such Special Reserve in the scenario of liquidation. This resulted in a reversal of deferred tax liability of Rs. 1.9 billion in fiscal 2018 as compared to Rs. 1.2 billion in fiscal 2017, under U.S. GAAP which were recognized under Indian GAAP.

Further, there was difference due to the negative tax impact of Rs. 6.7 billion in fiscal 2018 on U.S. GAAP adjustments over Indian GAAP as compared to the positive tax impact of Rs. 13.6 billion in fiscal 2017. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional*

notes—Note 20(i)” under U.S. GAAP included herein.

The Bank has made provisions on certain fixed assets acquired under debt-swap arrangements as per the direction of the Reserve Bank of India under Indian GAAP. Under U.S. GAAP these fixed assets are carried at lower of book value or fair value. This has resulted a positive impact of Rs. 5.0 billion in fiscal 2018 as compared to a negative impact of Rs. 1.9 billion. See also “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20(j)*” under U.S. GAAP included herein.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 62.4 billion in fiscal 2017 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 101.9 billion under Indian GAAP. In fiscal 2017, the net income under U.S. GAAP was lower primarily due to the higher losses of Rs. 29.8 billion on valuation of debt and equity securities under U.S. GAAP, impact of higher loan loss provisioning of Rs. 19.6 billion under U.S. GAAP as compared to Indian GAAP, the impact of differences in accounting for compensation cost under U.S. GAAP of Rs. 4.9 billion and lower profits of Rs. 3.3 billion attributable to the shareholders' of ICICI Bank from insurance subsidiaries, offset, in part, by the impact of amortization of loan processing fees, net of costs of Rs. 7.9 billion under U.S. GAAP and higher deferred tax benefit of Rs. 13.1 billion as compared to Indian GAAP. See also *note 20 to our* “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes*” under U.S. GAAP included herein.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 73.0 billion in fiscal 2016 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 101.8 billion under Indian GAAP. In fiscal 2016, the net income under U.S. GAAP was lower primarily due to the impact of higher loan loss provisioning of Rs. 28.0 billion under U.S. GAAP as compared to Indian GAAP, reversal of exchange gain of Rs. 9.5 billion recognized in the income statement under Indian GAAP on repatriation of retained earnings by overseas branches, higher losses of Rs. 5.5 billion on valuation of securities under U.S. GAAP and the impact of differences in accounting for compensation cost under U.S. GAAP of Rs. 3.6 billion, offset, in part, by a higher deferred tax benefit of Rs. 7.5 billion as compared to Indian GAAP, the impact of amortization of loan processing fees, net of costs of Rs. 7.9 billion under U.S. GAAP and higher profits of Rs. 0.8 billion attributable to the shareholders' of ICICI Bank from insurance subsidiaries and higher share of gain of Rs. 2.3 billion in equity affiliate. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20*" under U.S. GAAP included herein.

For a further description of significant differences between Indian GAAP and U.S. GAAP, a reconciliation of net income and stockholders' equity to U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements included herein.

Critical Accounting Policies

In order to understand our financial condition and the results of operations, it is important to understand our significant accounting policies and the extent to which we use judgments and estimates in applying those policies. Our accounting and reporting policies are in accordance with Indian GAAP and conform to standard accounting practices relevant to our products and services and the businesses in which we operate. Indian GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. Accordingly, we use a significant amount of judgment and estimates based on assumptions for which the actual results are uncertain when we make the estimation. See also "*Consolidated Financial Statements—Schedule 17—Significant Accounting Policies*" included herein.

ICICI Bank Limited

Accounting for Investments

ICICI Bank accounts for its investments in accordance with the guidelines on investment classification and valuation issued by the Reserve Bank of India. Investments are classified into the following categories: (a) held-to-maturity, (b)

available-for-sale and (c) held-for-trading. Under each classification, we further categorize investments into (a) government securities, (b) other approved securities, (c) shares, (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others (commercial papers, certificate of deposits, mutual funds, pass through certificates, venture units, security receipts, etc.).

Held-to-maturity securities are carried at their acquisition cost or at the amortized cost, if acquired at a premium over the face value. Any premium over the face value of the fixed rate and floating rate securities acquired is amortized over the remaining period to maturity on a constant effective yield basis and straight line basis respectively. Equity investments in joint ventures/associates are categorized as held-to-maturity in accordance with the Reserve Bank of India guidelines. These instruments are assessed for any permanent diminution in value and appropriate provisions are made.

Available-for-sale and held-for-trading securities of the Bank are valued in accordance with the guidelines issued by the Reserve Bank of India. The Bank amortizes the premium, if any, over the face value of its fixed and floating rate investments in government securities classified as available-for-sale over the remaining period to maturity on a constant effective yield basis and straight line basis respectively. The market value of quoted investments is based on the closing quotes on recognized stock exchanges or prices declared by the Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA)/Financial Benchmark India Private Limited (FBIL), periodically.

The Bank computes the market value of its unquoted government securities which are in the nature of statutory liquidity ratio securities included in the available-for-sale and held-for-trading categories in accordance with rates published by the Fixed Income Money Market and Derivatives Association.

The Bank computes the market value of unquoted non-government fixed income securities under the available-for-sale and held-for-trading category, wherever linked to the yield-to-maturity rates, with a mark-up, reflecting associated credit risk, over the yield to maturity rates for government securities published by the Fixed Income Money Market and Derivatives Association. The sovereign foreign securities and non-INR India linked bonds are valued on the basis of prices published by the sovereign regulator or counterparty quotes.

The Bank computes the market value of its unquoted equity shares at the break-up value, if the latest balance sheet is available. If such a balance sheet is not available, the unquoted equity shares are valued at Re. 1 in accordance with the Reserve Bank of India guidelines.

The Bank values the securities receipts at the net asset value provided by asset reconstruction companies.

The Bank computes the market value of its securities, under the available-for-sale and held for trading categories, scrip-wise (that is, by individual securities) and the depreciation/appreciation on securities, other than those acquired by way of loans is aggregated for each category. Net appreciation in each category under each investment classification, if any, is ignored, as it is unrealized while net depreciation is provided for. Non-performing investments are identified based on the Reserve Bank of India guidelines. Depreciation on securities acquired by way of conversion of outstanding loan is fully provided for. Depreciation on equity shares acquired where the Bank had invoked/implemented strategic debt restructuring scheme, scheme for sustainable structuring of stressed assets and prudential norms on change in ownership of borrowing entities (change in management outside strategic debt restructuring) schemes was provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the Reserve Bank of India guidelines. With effect from February 12, 2018, the depreciation is provided over a period of four quarters for the schemes which have been implemented prior to that date as per the extant Reserve Bank of India guidelines.

The Bank accounts for repurchase, reverse repurchase and transactions with Reserve Bank of India under Liquidity Adjustment Facility as borrowing and lending transactions in accordance with the current guidelines of the Reserve Bank of India. As per the Reserve Bank of India guidelines, the Bank follows the trade date method of accounting for the purchase and sale of investments, except for government of India and state government securities, for which the settlement date method of accounting is followed.

Provisions/Write-offs on Loans and Other Credit Facilities

Provisions are generally made by the Bank on standard, substandard and doubtful assets at rates prescribed by the Reserve Bank of India. The Bank held specific provisions against non-performing loans and a general provision

against standard loans. The Bank also makes specific provision on certain performing loans as per the direction of the Reserve Bank of India. Loss assets and unsecured portions of doubtful assets are provided/written off to the extent required by the Reserve Bank of India guidelines. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant Reserve Bank of India guidelines, are classified as non-performing loans to the extent of the amount outstanding in the host country. For loans booked in overseas branches, which are standard as per the extant Reserve Bank of India guidelines but are classified as non-performing loans based on host country guidelines, provisions are made as per the host country regulations. The Bank also held specific provisions against non-performing loans and advances and against certain performing loans and advances in accordance with the Reserve Bank of India directions, including the Reserve Bank of India direction for provision on accounts referred to the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016. In respect of borrowers classified as non-cooperative borrowers or willful defaulters, the Bank makes accelerated provisions as per extant the Reserve Bank of India guidelines. The Bank held specific provisions for retail loans that are higher than the minimum regulatory requirements.

In respect of non-retail loans reported as fraudulent to the Reserve Bank of India and classified in doubtful category, the entire amount, without considering the value of security, is provided for over a period of four quarters starting from the quarter in which fraud has been detected. In respect of non-retail loans where there has been a delay in reporting the fraud to the Reserve Bank of India or which are classified as loss accounts, the entire amount is provided immediately. In the case of fraud in retail accounts, the entire amount is provided immediately.

The diminution in the fair value of a restructured loan, if any, measured in present value terms, is either written off or a provision is made to the extent of the diminution involved. A restructured loan, which is classified as a standard restructured loan, is subject to higher standard asset provisioning and higher risk weight

for capital adequacy purposes than non-restructured standard loans up to the period specified in the guidelines. The specified period is a period of one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with the longest moratorium as per the restructuring package during which payment performance is monitored. The loan continues to be classified as restructured until it reverts to the normal level of standard asset provisions/risk weights for capital adequacy purposes, which is a period of one year after the end of the specified period. Loans restructured after April 1, 2015 (excluding loans given for implementation of projects and which are delayed up to a specified period) by re-scheduling principal repayments and/or the interest has been classified as non-performing and in addition to the provision for the diminution in fair value of the restructured loans, loan loss provision as applicable to non-performing loans for all loans availed by these borrowers is made. With effect from February 12, 2018, non-performing and restructured loans are upgraded to standard only after satisfaction of certain payment and rating threshold criteria specified under the Reserve Bank of India guidelines on Resolution of Stressed Assets – Revised Framework. Banks are required to disclose the aggregate fund-based credit facilities of borrowers whose loans were restructured.

The Bank also creates general provisions on its standard loans based on the guidelines issued by the Reserve Bank of India including provisions on loans to borrowers having unhedged foreign currency exposure, provisions on loans to specific borrowers in specific stressed sectors and provision on exposure to step-down subsidiaries of Indian companies. For performing loans in overseas branches, the general provision is made at higher of host country regulations requirement and the Reserve Bank of India requirement.

Additionally, the Bank creates provisions on individual country exposures including indirect country risk (other than for home country exposures). The countries are categorized into seven risk categories: insignificant, low, moderately low, moderate, moderately high, high and very high and provisioning is made for those exposures exceeding 180 days on a graded scale ranging from 0.25% to 25%. For exposures with a contractual maturity of less than 180 days, provision is required to be held at 25% of the rates applicable to exposures exceeding 180 days. The indirect exposure is reckoned at 50% of the exposure. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required for such country exposure.

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

Transfer and Servicing of Assets

ICICI Bank transfers commercial and consumer loans through securitization transactions. The transferred loans are de-recognized, and gains/losses are accounted for only if the Bank surrenders the rights to benefits specified in the underlying securitized loan contract. Recourse and servicing obligations are accounted for net of provisions.

Under Indian GAAP, with effect from February 1, 2006, net income arising from securitization of loan assets is accounted for over the life of the securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. With effect from May 7, 2012, the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by the Reserve Bank of India. Net loss arising on account of the sell-down, securitization and direct assignment of loan assets is recognized at the time of sale.

In accordance with Reserve Bank of India guidelines, in case of non-performing/special mention account-2 loans sold to securitization company/reconstruction company, the Bank reverses the excess provision in profit and loss account in the year in which amounts are received. Any shortfall of sale value over the net book value on sale of such assets is recognized by the Bank in the year in which the loan is sold.

ICICI Prudential Life Insurance Company

Premium for non-linked policies is recognized as income when due from policyholders. For unit-linked business, premium is recognized as income when the associated units are created. Premium on lapsed policies is recognized as income when such policies are reinstated.

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Income from unit-linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the unit-linked funds in accordance with terms and conditions of policies issued and are recognized when due.

Acquisition costs are costs that vary with and are primarily related to the acquisition of insurance contracts and are expensed in the period in which they are incurred.

The actuarial liabilities are calculated in accordance with accepted actuarial practice, requirements of Insurance Act, 1938, regulations notified by the Insurance Regulatory and Development Authority of India and Actuarial Practice Standards of the Institute of Actuaries of India.

Funds for future appropriation (Unit linked) - Amounts estimated by Appointed Actuary as funds for future appropriation in respect of lapsed unit linked policies, are set aside in the Balance Sheet and are not available for distribution to Shareholders until the expiry of the maximum revival period.

Funds for future appropriation (Participating) - Based on the recommendation of Appointed Actuary unappropriated surplus is held in the Balance Sheet as Funds for future appropriations.

Investments are made and accounted for in accordance with the Insurance Act, 1938, Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016, Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor’s Report of Insurance Companies) Regulations, 2002, Investments – Master circular, Investment Policy of the Company and various other circulars/notifications issued by the Insurance Regulatory and Development Authority of India in this context from time to time. Accordingly, unrealized gain or loss on investment is not taken into the profit and loss account except in the case of unit-linked businesses. Unrealized gains/losses arising due to changes in the fair value of equity shares and mutual fund units, in non-unit-linked policyholders’ and shareholders’ segments, are reflected in the “Fair value change account” in the balance sheet.

Fair Value Measurements

We determine the fair values of our financial instruments based on the fair value hierarchy established in ASC Topic 820. The standard describes three levels of inputs that may be used to measure fair value.

The valuation of Level 1 instruments is based upon the unadjusted quoted prices of identical instruments traded in active markets.

The valuation of Level 2 instruments is based upon the quoted prices for similar instruments in active markets, the quoted prices for identical or similar instruments in markets that are not active, prices quoted by market participants and prices derived from valuation models which use significant inputs that are observable in active markets. Inputs used include interest rates, yield curves, volatilities and credit spreads, which are available from public sources such as Reuters, Bloomberg, Foreign Exchange Dealers Association of India, Financial Benchmark India Private Limited and the Fixed Income Money Markets and Derivatives Association of India.

The valuation of Level 3 instruments is based on valuation techniques or models which use significant market unobservable inputs or assumptions. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable or when the determination of the fair value requires significant management judgment or estimation.

The valuation methodologies adopted by us for valuing our investments and derivatives portfolio are summarized below. A substantial portion of the portfolio is valued based on the unadjusted quoted or traded prices or based on models using market observable inputs such as interest rates, yield curves, volatilities and credit spreads available from public sources like Fixed Income Money Markets and Derivatives Association of India, Foreign Exchange Dealers Association of India, Financial Benchmark India Private Limited Reuters, Bloomberg and stock exchanges.

The Rupee denominated fixed income portfolio, which includes all rupee investments in government securities and corporate bonds, is valued based on guidelines for market participants established by the Fixed Income Money Market and Derivatives Association. The Fixed Income Money Market and Derivatives Association is an association of scheduled commercial banks, public financial institutions, primary dealers and

insurance companies and is a voluntary market body for bonds, derivatives and money markets in India. The international investments portfolio is generally valued on the basis of quoted prices. In certain markets, due to illiquidity, we use alternate valuation methodologies based on our own assumptions and estimates of the fair values.

A substantial part of the derivatives portfolio is valued using market observable inputs like swap rates, foreign exchange rates, volatilities and forward rates. The valuation of derivatives is carried out primarily using the market quoted swap rates and foreign exchange rates. Certain structured derivatives are valued based on counterparty quotes. The exposure regarding derivative transactions is computed and is marked against the credit limits approved for the respective counterparties.

We also hold investments and derivatives that have been valued based on unobservable inputs or that involve significant assumptions made by the management in arriving at their fair values. Such instruments are classified under Level 3 as per the classification defined in FASB ASC Topic 820 “Fair Value Measurements and Disclosures”.

A description of the valuation methodologies of Level 3 investments under U.S. GAAP

Our total investment in Level 3 instruments amounted to Rs. 127.8 billion at year-end fiscal 2018, as compared to Rs. 147.5 billion at year-end fiscal 2017. Out of the total Level 3 investments, investments amounting to Rs. 124.7 billion were India-linked and investments amounting to Rs. 3.1 billion were non-India linked. India-linked investments consisted of pass through certificates of Rs. 120.0 billion, corporate bonds of Rs. 4.0 billion and preference shares of Rs. 0.7 billion. Non-India linked investments consisted of mortgage backed securities of Rs. 2.8 billion and equity shares of Rs. 0.3 billion at year-end fiscal 2018.

Bonds that have been identified as illiquid and valued on the basis of a valuation model are classified as Level 3 instruments, only if the input used to value those securities is collected from unobservable market data or if the bonds were valued after making adjustment to the market observable data. The investment in bonds of Rs. 6.9 billion is valued at the amortized cost net of impairment or using significant management estimates and assumptions or based on market value of the underlying collateral.

Due to illiquidity in the asset backed and mortgage backed security markets, a substantial part of these securities are classified as Level 3 and valuation models are used to value these securities.

The valuation of Indian pass through certificates is dependent on the estimated cash flows that the underlying trust would pay out. The underlying trust makes assumptions with regards to various variables to arrive at the estimated cash flows. The cash flows for pass through certificates are discounted at the yield-to-maturity rates and credit spreads published by Fixed Income Money Market and Derivatives Association and Financial Benchmark India Private Limited on month ends.

Our Canadian subsidiary holds retained interest, largely representing the excess spread of mortgage interest over the rate of return on the mortgaged backed securities, which has been recorded as available-for-sale securities in the balance sheet at fair value of Rs. 2.8 billion determined using an internal model.

The methodologies we use for validating the valuation model of products which are valued with reference to market observable inputs include comparing the outputs of our models with counterparty quotes, in comparison with pricing from third party pricing tools, replicating the valuation methodology used in the model or other methods used on a case-by-case basis. The valuation is also carried out under various scenarios and are checked for consistency. However, for products where there are no reliable market prices or market observable inputs available, valuation is carried out using models developed using alternate approaches and incorporating proxies wherever applicable. The independent validation of valuation models is performed by an entity/unit independent of the risk management group.

Recently Issued Accounting Pronouncements under U.S. GAAP

Financial Instruments—Credit Losses

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, “Financial Instruments—Credit Losses” (ASU 2016-13), an Update to Topic 326 – Financial Instruments-Credit losses. The amendments in this Update eliminate the probable initial recognition threshold in current GAAP with respect to assets measured at

amortized cost and, instead, reflect an entity's current estimate of all expected credit losses. When credit losses were measured under current GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. The amendments in this Update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. Further, credit losses on available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments in this Update require that credit losses on available-for-sale securities be presented as an allowance rather than as a write-down. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. This Update will be applicable for the Group from fiscal 2021. Early adoption is permitted for annual periods beginning January 1, 2019. The Group is not planning to early adopt the Update. The Group expects that the new accounting standard guidance represents a significant departure from existing GAAP. The adoption of update will result in higher allowance for credit losses given the change to the estimated losses over the contractual life adjusted for expected prepayments with an anticipated material impact from longer duration portfolios, as well as, addition of an allowance for debt securities. The allowance on loans and loan commitments will increase to cover credit losses over the remaining expected life of the loan portfolio. Further, the determination of allowance for loans will also require consideration of expected future changes in macroeconomic conditions. As the standard does not prescribe a specific method for estimating expected credit loss, the Group will finalize the approach based on its internal historical experience, emerging market practices and guidance available from other regulators. The extent of the impact is yet to be quantified.

Revenue from contracts with customers

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from contracts with customers" (ASU 2014-09), an Update to Topic 606 – Revenue from contracts with customers. The amendments in this Update require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Update also requires new qualitative and quantitative disclosures, including disaggregation of revenues and descriptions of performance obligation. The scope of the guidance excludes net interest income and many other revenues for financial assets and liabilities which includes loans, leases, securities and derivatives. Accordingly, the majority of our revenues is not expected to be effected. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017. This Update will be applicable for the Group from fiscal 2019. We are in the process of evaluating the impact of adopting this statement.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases" (ASU 2016-02), an Update to Topic 842 - Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The amendments in this Update require lessees to recognize leases on the balance sheet with lease liabilities and corresponding right-of-use asset based on the present value of lease payments and both quantitative as well as qualitative disclosures regarding key information about leasing

arrangements. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with an option to early adopt. This Update will be applicable for the Group from fiscal 2020 and the Group does not plan to early adopt this Update. The Group does not expect any material impact on its net income reconciliation on adoption of this statement.

Goodwill

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, "Intangibles- Simplifying the test for goodwill impairment" (ASU 2017-04), an Update to Topic 350- Intangibles- Goodwill and other. The amendments in this Update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. ASU 2017-04 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. This Update will be applicable for the Group from fiscal 2021 onwards, and the Group does not plan to early adopt this Update. The impact of ASU will depend upon the performance of the reporting units and market conditions impacting the fair value of the reporting units in future.

Recognition and measurement of financial assets and financial liabilities

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an Update to ASC Topic 825 – Financial Instruments – Overall. The amendments in this Update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017. This Update will be applicable for the Group from fiscal 2019. The Group currently classifies certain equity shares in available for sale portfolio and subsequent fair value gain/loss is accounted through other comprehensive income, which will be accounted through profit and loss account on adoption of this Update. The impact on adoption of this Update will be determined on the market conditions on adoption date.

Non-refundable fees and other costs

In March 2017, the FASB issued Accounting Standards Update No. 2017-08, "Premium amortization on purchased callable debt securities" (ASU 2017-08), an Update to Topic 310- Receivables- Non-refundable fees and other costs. The amendments in this Update would change the accounting for callable debt securities purchased at a premium to require amortization of the premium to the earliest call date rather than to the maturity date. Accounting for callable debt securities purchased at a discount is not proposed to change and the discount would continue to amortize to the maturity date. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018. This Update will be applicable for the Group from fiscal 2020. The Group does not expect any material impact on its net income reconciliation on adoption of this statement.

Hedge accounting

In August 2017, the FASB issued Accounting Standards Update No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities" (ASU 2017-12), an Update to Topic 815-Derivatives and Hedging. The amendments in this Update align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in this Update also make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018. This Update will be applicable for the Group from fiscal 2020. We are in the process of evaluating the impact of adopting this statement.

Convergence of Indian accounting standards with International Financial Reporting Standards

The financial statements and other financial information included or incorporated by reference in this annual report are based on our unconsolidated and consolidated financial statements under Indian GAAP. The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs, which is the law making authority for adoption of accounting standards in India, has notified these Ind AS for adoption. Further, the ministry has also issued a roadmap for transition to Ind AS by Indian companies in a phased manner starting from April 1, 2016. For banking companies and non-banking finance companies, the implementation of Ind AS was to begin from April 1, 2018. In fiscal 2018, the Reserve Bank of India deferred the implementation of Ind AS for banks by one year. Accordingly, the banks in India will implement Ind AS from April 1, 2019. For insurance companies, the implementation of Ind AS will begin from April 1, 2020. Accordingly, while our major group companies other than insurance companies, would report their financials statements as per Ind AS from April 1, 2018 onwards, ICICI Bank will report its financial statements as per Ind AS from April 1, 2019. Our insurance subsidiaries would report their financials as per Ind AS from April 1, 2020. Financial statements prepared under standards different from existing GAAP may diverge significantly from the financial statements and other financial information included or incorporated by reference in this annual report. The major areas of differences include classification and mark-to-market accounting of financial assets, impairment of financial assets and allowance for expected credit losses, accounting of loan processing fees and costs, amortization of premium/discount on purchase of financial assets, consolidation accounting, employee stock o