

ICICI BANK LTD  
Form 20-F  
August 01, 2016

As filed with the Securities and Exchange Commission on August 1, 2016

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, 2016.**

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 ten Equity Shares of ICICI Bank

Limited, par value

New York Stock Exchange

Rs. 2 per share

(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]

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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, 2016 was 5,814,768,430.

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

Yes

No

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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.

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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 and to the Companies Act, 1956 where notification under the new Act is pending, 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 2012 through 2016, 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.

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

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

## Exchange Rates

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

During fiscal 2012, the rupee depreciated against the U.S. dollar by 14.3%, moving from Rs. 44.54 per US\$ 1.00 at year-end fiscal 2011 to Rs. 50.89 at year-end fiscal 2012 due to volatility in capital flows on account of increased risk aversion following the European sovereign debt crisis as well as moderation in India's economic growth. During fiscal 2013, the rupee depreciated against the U.S. dollar by 7.1%, moving from Rs. 50.89 at year-end fiscal 2012 to Rs. 54.52 at year-end fiscal 2013. During fiscal 2014, the rupee depreciated against the U.S. dollar by 10.1%, moving from Rs. 54.52 per US\$1.00 at year-end fiscal 2013 to Rs. 60.00 per US\$1.00 at year-end fiscal 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 year-end fiscal 2014 to Rs. 62.31 per US\$1.00 at year-end fiscal 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 year-end fiscal 2015 to Rs. 66.25 per US\$1.00 at year-end fiscal 2016. During fiscal 2017, through June 30, 2016, the rupee depreciated by 1.9% to Rs. 67.51 per US\$1.00. See also "*Risk Factors—Risks Relating to India and Other Economic and Market Risks—Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs*".

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

Fiscal Year	Period End <sup>(1)</sup>	Average <sup>(1),(2)</sup>
2012	50.89	48.01
2013	54.52	54.48
2014	60.00	60.76
2015	62.31	61.34
2016	66.25	65.58
2017 (through June 30, 2016)	67.51	67.01

Month	High	Low
March 2015	63.06	61.76
April 2015	63.58	61.99
May 2015	64.19	63.31
June 2015	64.21	63.43
July 2015	64.24	63.24
August 2015	66.80	63.67

September 2015	66.70	65.50
October 2015	65.57	64.70
November 2015	66.86	65.46
December 2015	67.10	66.00
January 2016	68.08	66.49
February 2016	68.84	67.57
March 2016	67.75	66.25
April 2016	66.70	66.05
May 2016	67.59	66.36
June 2016	67.92	66.51

(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 March 31, 2016. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at March 31, 2016 was Rs. 66.25 per US\$1.00 and at June 30, 2016 was Rs. 67.51 per US\$1.00.

## Market Price Information

## Equity Shares

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

At March 31, 2016, total 5,814,768,430 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 NSE; 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 <sup>(1),(2)</sup>			
	High	Low	High	Low
Annual prices:				
Fiscal 2012	Rs.225.37	Rs.130.68	US\$4.43	US\$2.57
Fiscal 2013	242.54	156.34	4.45	2.87
Fiscal 2014	251.84	156.71	4.20	2.61
Fiscal 2015	384.05	241.83	6.16	3.88
Fiscal 2016	331.15	183.00	5.00	2.76
Quarterly prices:				
Fiscal 2015:				
First Quarter	Rs.298.44	Rs.241.83	US\$4.97	US\$4.03
Second Quarter	319.66	268.85	5.16	4.34
Third Quarter	362.20	285.77	5.75	4.53
Fourth Quarter	384.05	307.95	6.16	4.94
Fiscal 2016:				
First Quarter	Rs.331.15	Rs.283.15	US\$5.21	US\$4.45
Second Quarter	317.45	249.10	4.85	3.80
Third Quarter	290.05	246.40	4.38	3.72
Fourth Quarter	263.00	183.00	3.97	2.76
Fiscal 2017:				

First Quarter	Rs.257.65	Rs.214.45	US\$3.83	US\$3.20
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Monthly prices:

March 2015	Rs.349.35	Rs.307.95	US\$5.61	US\$4.94
April 2015	331.15	302.30	5.21	4.75
May 2015	329.30	304.60	5.17	4.78
June 2015	317.75	283.15	5.00	4.45
July 2015	317.45	285.00	4.97	4.46
August 2015	314.05	269.95	4.73	4.07
September 2015	279.30	249.10	4.26	3.80
October 2015	290.05	267.10	4.44	4.08
November 2015	279.55	260.45	4.21	3.92
December 2015	273.90	246.40	4.14	3.72
January 2016	263.00	223.10	3.88	3.29
February 2016	217.20	183.00	3.18	2.68
March 2016	237.50	204.95	3.58	3.09
April 2016	254.05	220.30	3.83	3.32
May 2016	244.65	214.45	3.64	3.20
June 2016	257.65	230.95	3.82	3.42

(1) Data from the NSE. The prices quoted on the BSE 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.

At June 30, 2016, the closing price of equity shares on the NSE was Rs. 240.6 equivalent to US\$ 3.56 per equity share (US\$7.13 per ADS on an imputed basis) translated at the exchange rate of Rs. 67.51 per US\$1.00 as set forth in the H.10 statistical release of the Federal Reserve Board on June 30, 2016.

At year-end fiscal 2016, there were approximately 986,967 holders of record of our equity shares, of which 733 had registered addresses in the United States and held an aggregate of approximately 2,154,466 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 and the NSE.

At year-end fiscal 2016, we had approximately 733 million ADSs, equivalent to about 1,466 million equity shares, outstanding. At March 31, 2016, there were approximately 48,259 record holders of our ADSs, out of which 117 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 <sup>(1)</sup>	
	High	Low
Annual prices:		
Fiscal 2012	US\$ 10.13	US\$ 4.89
Fiscal 2013	9.55	5.60
Fiscal 2014	9.68	5.09
Fiscal 2015	12.98	8.53
Fiscal 2016	10.94	5.18
Quarterly prices:		
Fiscal 2015:		
First Quarter	US\$ 10.45	US\$ 8.53
Second Quarter	10.99	9.40
Third Quarter	12.25	9.56
Fourth Quarter	12.98	10.06
Fiscal 2016:		
First Quarter	US\$ 10.94	US\$ 9.36
Second Quarter	10.47	8.19
Third Quarter	9.21	7.22
Fourth Quarter	7.64	5.18
Fiscal 2017:		
First Quarter	US\$ 7.85	US\$ 6.38

Monthly prices:

March 2015	US\$ 11.77	US\$ 10.06
April 2015	10.94	10.16
May 2015	10.84	10.30
June 2015	10.56	9.36
July 2015	10.47	9.35
August 2015	10.38	8.51
September 2015	8.81	8.19
October 2015	9.21	8.57
November 2015	8.74	7.81
December 2015	8.37	7.22
January 2016	7.64	6.48
February 2016	6.42	5.18
March 2016	7.16	6.12
April 2016	7.85	6.59
May 2016	7.19	6.38
June 2016	7.80	6.65

One equity share of Rs. 10 has been sub-divided into five equity shares of Rs. 2 each effective December 5, 2014.

(1) 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.

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.*

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.

In fiscal 2015, the Indian government introduced a new methodology for estimating India's gross domestic product and began publication of sectoral data on a gross value added basis. According to the new methodology, India's gross domestic product grew by 6.6% in fiscal 2014, 7.2% in fiscal 2015 and 7.6% in fiscal 2016. The agriculture sector accounted for 15.4% of gross value added, while industry and services accounted for 31.3% and 53.4%, respectively, in fiscal 2016.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. 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.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic

growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. As a result, the level of non-performing and restructured loans continued to be adversely impacted.

The Indian economy in general, and the agricultural sector in particular, is impacted by the level and timing of monsoon rainfall. Investments by the corporate sector in India are impacted by government policies and decisions including policies and decisions regarding awards of licenses, access to land, access to natural resources and the protection of the environment. Economic growth in India is also influenced by inflation, interest rates, external trade and capital flows. The level of inflation or depreciation of the Indian rupee may limit monetary easing or cause monetary tightening by the Reserve Bank of India. Any increase in inflation, due to increases in domestic food prices or global prices of commodities, including crude oil, the impact of currency depreciation on the prices of imported commodities and additional pass through of higher fuel prices to consumers, or otherwise, may result in a tightening of monetary policy. For instance, during fiscal 2014, in response to a rise in inflation from 9.1% in April 2013 to 11.5% in November 2013, the Reserve Bank of India progressively raised the repo rate by 75 basis points from 7.25% to 8.0% during May 2013-January 2014. The repo rate was thereafter maintained at the 8.0% level and then gradually reduced starting January 2015, with the latest reduction of 25 basis points to 6.5% in April 2016.

In fiscal 2015, the Reserve Bank of India entered into a monetary policy framework agreement with the government of India affirming a target of 8.0% consumer price index inflation by January 2015, 6.0% by January 2016 and 4.0% with a band of +/- 2% for later years to be pursued by the Reserve Bank of India. The consumer price index inflation rate reduced from 8.3% in March 2014 to 5.2% by January 2015 and to 5.7% in

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

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

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

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

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

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

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to increased calls for the governments of other European Union member states to consider withdrawal.

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

While Standard & Poor's, Moody's and Fitch currently have stable or positive outlooks on their sovereign rating for India, they may lower their sovereign ratings for India or the outlook on such ratings, which would also impact our ratings. Rating agencies may also change their methodology for rating banks which may impact us. For instance, in April 2015, Moody's revised its bank rating methodology and the assessment of government support to banks, following which the rating of several banks globally were revised, including Indian banks. The Bank's senior unsecured debt rating was downgraded by one level to Baa3 following the methodology change. Any adverse revisions to India's credit ratings for domestic and international debt by international rating

agencies may adversely impact our business and limit our access to capital markets and adversely impact our liquidity position. The rating of our foreign branches is impacted by the sovereign rating of the country in which the branch is located, particularly if the rating is below India's rating. Any revision to the sovereign rating of the countries in which we operate to below India's rating could impact the rating of our foreign branch in the jurisdiction and the bonds issued from these branches. In February 2016, Standard & Poor's placed bonds issued by the Bahrain branches of two Indian banks, including ICICI Bank, on credit watch with negative implications following its lowering of the sovereign rating of Bahrain. In June 2016, Standard & Poor's removed the ratings on the Bank's senior bonds from credit watch and maintained the existing ratings based on the execution of an irrevocable standby letter of credit guaranteeing the bonds by our branch in the Dubai International Financial Centre. See also "*—Risks Relating to Our Business—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds*".

We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amount to approximately 2% of our total borrowings at March 31, 2016. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we were not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan.

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

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

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

India's trade relationships with other countries and its trade deficit, may adversely affect Indian economic conditions and the exchange rate for the rupee. The current account deficit as a proportion of India's gross domestic product has improved significantly from a high of 4.7% in fiscal 2013 to 1.7% in fiscal 2014, 1.3% in fiscal 2015 and 1.1% in

fiscal 2016, which was driven primarily by the sharp decline in crude oil prices, measures to reduce gold imports and a slowdown in non-oil imports mainly due to subdued investments in the economy. Global economic conditions remained volatile on expectations of an increase in interest rates by the U.S. Federal Reserve, leading to a strengthening of the U.S. dollar against most currencies. From the beginning of fiscal 2013 through fiscal 2016, the rupee has decreased 30.4% against the U.S. dollar due to the volatility of international capital markets and the commencement of normalization of interest rates in the United States.

Increased volatility in capital flows due to changes in monetary policy in the United States or other economies or a reduction in risk appetite or increase in risk aversion among global investors and consequent reduction in global liquidity may impact the Indian economy and financial markets. For instance, during the first half of fiscal 2014, emerging markets including India witnessed significant capital outflows on account of concerns regarding the withdrawal of quantitative easing in the U.S. and other domestic structural factors such as the high current account deficit and lower growth outlook.

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, our stockholders' equity and the price of our equity shares and ADSs could be adversely affected. Any reduction of or increase in the volatility of capital flows may impact the Indian economy and financial markets and increase the complexity and uncertainty in monetary policy

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

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

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

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

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

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 non-performing loans and

provisions of a number of Indian banks, including us, increased significantly during the second half of fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. See also “—*Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”. Similar developments in the future could adversely impact the financing of proposed investments by the corporate sector and negatively impact confidence in the financial sector.

There are also uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank’s exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is 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 Reserve Bank of India guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these sectors.

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

India has experienced natural calamities such as earthquakes, floods and droughts in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as the level and timing of monsoon rainfall, impact the agricultural sector, which constituted approximately 15.4% of India's value added in fiscal 2016. 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 or natural calamities in other countries where we operate could affect the economies of those countries and our operations in those countries.

Health epidemics could also disrupt our business. In fiscal 2010, there were outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several countries in which we operate. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business and the price of our equity shares and ADSs could be adversely affected.

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

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. The Indian government has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our ability to implement our strategy 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 proposed adopting a uniform goods and services tax structure in India, which may have an impact on the way in which we are taxed in the future. Any significant change in India's economic policies or any market volatility as a result of uncertainty surrounding India's macroeconomic policies or the future elections of its government could adversely affect business and economic conditions in India generally and our business in particular and the price of our equity shares and ADSs could be adversely affected.

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

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

### **Risks Relating to Our Business**

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

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

Various factors, including a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, our regulators’ assessment and review of our loan portfolio, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition, could cause an increase in the level of our non-performing assets and have a material adverse impact on the quality of our loan portfolio.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. 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.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets,

these efforts were taking time to show results, resulting in an increase in the level of additions to non-performing loans, including slippages from the restructured loan portfolio into non-performing status. In addition, 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. Indian banks in general have become more cautious in their approach to corporate lending given the above developments. Further, large banks in the public sector have also moderated their loan growth substantially in view of their relatively lower levels of capital adequacy and losses in fiscal 2016. Our gross non-performing loans increased significantly from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as non-performing was Rs. 28.2 billion, and to borrowers whose loans were classified as restructured was Rs. 44.0 billion.

Our standard loan portfolio includes restructured standard loans, and the failure of these borrowers to perform as expected could result in such loans being classified as non-performing. In fiscal 2015 and fiscal 2016, we experienced a significant increase in downgrades of standard restructured loans to the non-performing category due to the failure of these borrowers to perform as expected as a result of the gradual domestic recovery, continued global economic challenges and the time being taken for the efforts to reduce corporate leverage to yield results. Further, the quality of our long-term project finance loan portfolio could be adversely impacted by several factors. Our loan portfolio includes project finance, corporate finance, and working capital loans to the infrastructure and related sectors, including power and construction, and commodity-based sectors such as coal and iron and steel, which are subject to global commodity price cycles. See also “—*Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks*”. In certain cases, we have extended loan facilities to clients based on collateral consisting of equity shares and any volatility in the capital markets may impact the value of such collateral. Economic and project implementation challenges, in India and overseas, and declines or volatility in commodity prices, could result in some of our borrowers not being able to meet their debt obligations, including debt obligations that have already been restructured, resulting in an increase in non-performing loans.

During fiscal 2016, increase in additions to non-performing loans impacted our net interest margin, as we do not accrue interest on non-performing loans. This is expected to continue to adversely impact our net interest margin in fiscal 2017 as well. If we continue to see an increase in our non-performing loans, our net interest margin would be further adversely impacted.

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

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

Banks in India are required to make provisions for all their loans by the Reserve Bank of India which controls the accounting treatment of reserves, unlike in the United States and European Union where a separate accounting standards body provides the guidelines for the accounting treatment in this area. The Reserve Bank of India has substantially expanded its guidance relating to the identification and classification of non-performing assets over the last two years, including articulating an objective of early and conservative recognition of stress and provisioning in the last six months of fiscal 2016, which have resulted in an increase in our loans classified as non-performing.

Effective April 1, 2014, the Reserve Bank of India issued guidelines which included a framework for early identification and resolution of stressed assets. The guidelines introduced an asset classification category of “special mention accounts”, which comprises cases that are not yet restructured or classified as non-performing but which exhibit early signs of stress, as determined by various parameters. Banks are also required to share data with each other on a category of special mention accounts, form joint lenders’ forums and devise action plans for the joint resolution of these accounts. Any failure to do so within stipulated timeframes results in accelerated provisioning for such cases. Resolution of stressed accounts could also include converting the loan dues, in their entirety or in part, to equity shares which may expose us to additional risks as shareholders. For large borrowers with aggregate borrowings of over Rs. 5.0 billion, a special structuring scheme has also been introduced providing a framework for separation of debt into sustainable and unsustainable portions for structuring, and allowing the existing promoter to continue with majority shareholding under specific conditions. This may expose us to additional risks particularly if large borrowers seek restructuring of their debt under this scheme.

During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing loans increased significantly in the banking system during the second half of fiscal 2016 and our gross non-performing loans increased significantly from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. Further, with regard to lending to large borrowers, the Reserve Bank of India has issued a discussion paper in May 2016 proposing higher provisioning on loans exceeding prescribed credit limits. Further, during fiscal 2016, the increase in additions to non-performing loans impacted our net interest margin, as we do not accrue interest on non-performing loans. This

is expected to continue to adversely impact our net interest margin in fiscal 2017 as well. If we continue to see an increase in our non-performing loans, our net interest margin would be further adversely impacted. The non-accrual of income on the higher level of non-performing loans or loans subjected to restructuring special structuring under applicable regulatory guidelines also negatively impacts our net interest income and net interest margin. See also “—*The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators*

*are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past”, “Business—Classification of Loans”, “Operating and Financial Review and Prospects” and “Supervision and Regulation—Loan Loss Provisions and Non-performing Assets—Asset Classification”.*

Banks in India are required to make provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. We make provisions on retail non-performing loans at the borrower level in accordance with the retail assets provisioning policy of the Bank, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement and make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks.

In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured loans and advances at rates prescribed by the Reserve Bank of India. Our provisions for standard assets decreased from Rs. 3.9 billion in fiscal 2015 to Rs. 3.2 billion in fiscal 2016. Our provisions for non-performing assets increased from Rs. 36.3 billion in fiscal 2015 to Rs. 77.2 billion in fiscal 2016, primarily due to an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the terms or restructuring. Our provisioning costs are expected to remain elevated in the near term.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. At March 31, 2016, ICICI Bank’s fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding borrowers classified as non-performing or restructured) was Rs. 119.6 billion (1.3% of the Bank’s total exposure) to power (excluding central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, ICICI Bank’s fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). In view of the uncertainties relating to these sectors and the time that it may take to resolve the Bank’s exposures to these sectors, we have made a collective contingency and related reserve of Rs. 36.0 billion at March 31, 2016 towards the Bank’s exposure to these sectors. This reserve is 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 Reserve Bank of India guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these and other sectors.

The Reserve Bank of India released a discussion paper on the dynamic loan loss provisioning framework in March 2012, with the objective of limiting the volatility in loan loss provisioning requirements witnessed during economic cycles. The framework proposed to replace existing general provisioning norms and recommended that banks make provisions on their loan books every year based on their historical loss experience in various categories of loans. In years where the specific provision is higher than the computed dynamic provision requirement, the existing dynamic provision balance can be drawn down to the extent of the difference, subject to a minimum specified level of dynamic

provision balance being retained.

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

Our strategy going forward with respect to our loan portfolio comprises proactive monitoring of loan portfolios across businesses; improvement in the portfolio mix by focusing on retail lending and lending to higher-rated companies; reduction of concentration risk; and resolution of exposures through asset sales by borrowers, changes in management and working with stakeholders to ensure that companies are able to operate

at an optimal level and generate cash flows. There can be no assurance that we will be able to successfully implement our strategy and control or reduce the level of non-performing assets, or that our future recoveries on non-performing assets will be similar to our past experience of recoveries on non-performing assets.

***If our restructured borrowers fail to perform as expected and the loans to them are recategorized to the non-performing category, or if regulators continue to impose increasingly stringent requirements, our business will suffer.***

Our standard assets also include restructured standard loans. See also “*Business—Classification of Loans—Restructured Loans*”. In recent years, we have experienced a significant increase in the amount of standard restructured loans that were re-categorized to the non-performing category. The principal amount of such re-categorized loans increased from Rs. 7.3 billion in fiscal 2014 to Rs. 45.1 billion in fiscal 2015 and to Rs. 53.0 billion in fiscal 2016, due to 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. The performance of our restructured borrowers is dependent on various factors, including economic conditions, in India and globally, movements in global commodity markets and exchange rates, rise in interest rates, inflation and distress in certain sectors, in addition to regulatory change.

In November 2012, the Reserve Bank of India increased the general provisioning requirement on restructured standard accounts from 2.00% to 2.75%. Further, in May 2013, the Reserve Bank of India issued final guidelines on the restructuring of loans. Pursuant to the guidelines, loans that are restructured (other than due to delays in project implementation under certain conditions and up to specified periods) from April 1, 2015 onwards would be classified as non-performing. Further, the general provisioning requirement on standard restructured loans was increased for all incremental restructured loans from June 1, 2013 to 5.0% while the general provisioning requirement on the existing stock of standard restructured loans was increased in phases to 5.0% by year-end fiscal 2016. See also “*Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Restructured loans*”. The Reserve Bank of India after holding discussions in the three months ended December 31, 2015 with a number of Indian banks, including us, has directed the other banks and us to make an additional provision of 10% in fiscal 2017 for certain restructured loan accounts. The total amount of such restructured loan accounts in our portfolio is approximately Rs. 35.8 billion. Our provisions for restructured loans decreased from Rs. 9.5 billion at year-end fiscal 2015 to Rs. 7.6 billion at year-end fiscal 2016.

If regulators continue to impose increasingly stringent requirements, if there is a substantial increase in the level of restructured assets or assets subjected to the special structuring scheme permitted by the Reserve Bank of India, or if restructured borrowers fail to perform as expected, it could have a material adverse effect on our business, our future financial performance and the price of our equity shares and ADSs.

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

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

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

We also have investments in security receipts arising from the sale of non-performing assets by us to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India and other reconstruction companies. See also “*Business—Classification of Loans*”. There can be no assurance that Asset Reconstruction Company (India) Limited and other 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.

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

From fiscal 2008, the Indian banking sector experienced a significant increase in infrastructure sector loans. We expect long-term project finance to be an area of growth in our business over the medium to long-term, and the quality of this portfolio could be adversely impacted by several factors. The viability of these projects depends upon a number of factors, including market demand, government policies, the processes for awarding government licenses and access to natural resources and their subsequent judicial or other review, the financial condition of the government or other entities that are the primary customers for the output of such projects and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including risks of delays in regulatory approvals, environmental and social issues, completion risk and counterparty risk, which could adversely impact their ability to generate revenues. In the past, we have experienced a high level of default and restructuring in our industrial and manufacturing project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Our loans to the power sector were 6.0% of our gross loans at March 31, 2014, 5.8% at March 31, 2015 and 5.6% at March 31, 2016. Power projects face a variety of risks, including access to fuel such as coal and gas, and off-take of the power produced. For example, we are lenders to a large gas-based power plant in the state of Maharashtra which has been impacted by the non-availability of gas. Coal based power projects in India have experienced delays primarily due to environmental concerns around coal mining and the de-allocation of coal blocks allocated to companies. While the Indian government has commenced the auction of these de-allocated coal blocks, the commencement of operations and financial performance of projects linked to these coal blocks continues to be uncertain. In addition, power projects inherently have high leverage levels and volatility in capital markets and concerns about the implementation of these projects and their future cash flows may constrain the availability of equity funding for such projects. Any reduction in the output of operational power plants or the projected output of newly-commissioned or under-implementation power projects due to lower availability of fuel, higher fuel costs that cannot be passed through to purchasers and inability of state-owned power distribution utilities to purchase or pay for power due to their financial condition, or a decline in the price of power, may have an adverse impact on the financial condition of power producers and their ability to service their debt obligations, including to us. We cannot be sure that these projects will begin operations as scheduled or perform as anticipated. A change in the ownership and management of these projects could further delay the commencement of operations. We may see an increase in our non-performing assets or restructured assets in case of delays from the scheduled commercial date of operations of such projects, which are longer than that permitted by the Reserve Bank of India guidelines.

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

A slowdown in the Indian and global economy may exacerbate the risks for the projects that we have financed. Future project finance losses or high levels of loan restructuring could have a materially adverse effect on our profitability and the quality of our loan portfolio and the price of our equity shares and ADSs.

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

Our loan portfolio and non-performing asset portfolio have a high concentration in certain types of customers. ICICI Bank's policy is to limit its exposure to any particular industry (other than retail loans) to 15.0% of its total exposure. Our loans and advances to the retail finance segment constituted 46.8% of our gross loans and advances at March 31, 2016. Our loans and advances to (i) the infrastructure sector (excluding power), (ii) the

power sector, (iii) the non-finance services sector, and (iv) the iron and steel sector, constituted 5.6%, 5.6%, 5.5% and 5.3%, respectively, of our gross loans and advances at year-end fiscal 2016.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. At March 31, 2016, ICICI Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade in these sectors (excluding borrowers classified as non-performing or restructured) was Rs. 119.60 billion (1.3% of the Bank's total exposure) to power (excluding central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, ICICI Bank's exposure to promoter entities where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). In view of the uncertainties relating to these sectors and the time that it may take to resolve our exposures to these sectors, we made a collective contingency and related reserve of Rs. 36.0 billion at March 31, 2016 towards the Bank's exposure to these sectors. This reserve is 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 Reserve Bank of India guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these and other sectors. See also "*—Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks*".

Pursuant to the guidelines of the Reserve Bank of India, the Bank's credit exposure to an individual borrower must not exceed 15.0% of its capital funds, unless the exposure is with regards to an infrastructure project. Capital funds refer to Tier 1 and Tier 2 capital after regulatory adjustments as per the Reserve Bank of India guideline 'Master Circular - Basel III Capital Regulations'. ICICI Bank's exposure to a group of companies under the same management control generally must not exceed 40.0% of its capital funds unless the exposure is towards an infrastructure project, as per the Reserve Bank of India guidelines. Banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., aggregate exposure can be 20.0% of capital funds for an individual borrower and aggregate exposure can be 45.0% of capital funds for a group of companies under the same management). At year-end fiscal 2016, our largest non-bank borrower accounted for approximately 14.6% of our capital funds. The largest group of companies under the same management control accounted for approximately 30.4% of our capital funds. At year-end fiscal 2016, the Bank's exposure to its 20 largest borrowers (including banks) was approximately 14.3% of our total exposure, and our credit exposure to our 20 largest borrowers (including banks) was approximately 14.6% of the Bank's total credit exposure.

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

In March 2015, the Reserve Bank of India released a discussion paper on a framework for large exposures and has proposed limits on exposure of banks based on group of connected counterparties identified on the basis of economic inter-dependence of the companies. In May 2016, the Reserve Bank of India issued another discussion paper proposing limits on the aggregate exposure of the banking system to large borrowers, with lending beyond the specified limits attracting higher risk weights and provisioning. These guidelines, and our focus on controlling and reducing concentration risk, may restrict our ability to grow our business with some customers, and require us to reduce our exposure to some groups. See also “*Business—Loan Portfolio—Loan Concentration*”.

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

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

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

If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the decrease in yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. Any systemic decline in low cost funding available to banks in the form of current and savings account deposits would adversely impact our net interest margin. The Reserve Bank of India has deregulated the interest rate on savings deposits, following which some of the smaller banks in India are offering higher interest rates on their savings deposit accounts. If other banks with whom we compete similarly raise their savings account deposit rates, we may also have to do so to remain competitive and this would adversely impact our cost of funds. In December 2015, the Reserve Bank of India released guidelines on computation of lending rates based on the marginal cost of funds methodology which is applicable on incremental lending from April 1, 2016. This change in the methodology for calculating cost of funds led to lower lending rates, and may lead to more frequent revisions in lending rates due to the prescribed monthly review of cost of funds. See also “*Business—Loan Portfolio—Loan Pricing*” and “*Supervision and Regulation—Regulations Relating to Advancing Loans*”. This may impact the yield on our interest-earning assets, our net interest income and net interest margin. Earlier, banks were not permitted to extend fixed rate loans at a rate of interest lower than the base rate. This restriction no longer applies to fixed rate loans of tenor above three years under the new guideline, and competition among lenders may lead to lower lending rates and result in reduced net interest income. If there are increases in our cost of funds and if we are unable to pass on the increases fully into our lending rates, our net interest margins and profitability would be adversely impacted. Further, any tightening of liquidity and volatility in international markets may limit our access to international bond markets and result in an increase in our cost of funding for our international business. Continued volatility in international markets could constrain and increase the cost of our international market borrowings and our ability to replace maturing borrowings and fund new assets. Our overseas banking subsidiaries are also exposed to similar risks.

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

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

Under the directed lending norms of the Reserve Bank of India, banks in India are required to lend 40.0% of their adjusted net bank credit to certain eligible sectors, categorized as priority sectors. Of this, banks have sub-targets for lending to key sectors. A proportion of 18.0% of adjusted net bank credit is required to be lent to the agricultural sector. The norms applicable up to and including fiscal 2015 required 18.0% of adjusted net bank credit lent to the agriculture sector to include direct agricultural advances of at least 13.5% and indirect agricultural advances of not more than 4.5%. Direct agricultural advances include loans made directly to individual farmers or groups of individual farmers for agriculture and related activities. Indirect agricultural advances include loans for purposes linked to agriculture, such as loans to food and agri-processing units, finance for hire-purchase schemes for distribution of agricultural machinery and implements, financing farmers indirectly through the co-operative system and loans for the construction and operation of storage facilities. Loans to identified weaker sections of society must comprise 10.0% of adjusted net bank credit. These requirements were to be met as of the last reporting Friday of the fiscal year with reference to the adjusted net bank credit of the previous fiscal year till fiscal 2016. From fiscal 2017, the requirement is assessed on a quarterly basis. These requirements apply to ICICI Bank on a standalone basis.

The Reserve Bank of India issued revised directed lending norms applicable from fiscal 2016 onwards. The sub-targets for direct and indirect lending to agriculture have been combined. Two new sub-targets, a target of 8.0% of adjusted net bank credit to small and marginal farmers and a 7.5% lending target to micro-enterprises, have been introduced and apply in a phased manner over fiscal 2016 and fiscal 2017. The balance of the priority sector lending requirement can be met by lending to a range of sectors, including small businesses, medium enterprises, renewable energy, social infrastructure and residential mortgages satisfying certain criteria. The target for lending to weaker sections continues to be at 10% of adjusted net bank credit. At March 31, 2016, ICICI Bank's priority sector lending was Rs. 1,311.9 billion, constituting about 101.9% of the priority sector lending target. At March 31, 2016, the Bank's agriculture lending constituted 17.0% of adjusted net bank credit against a requirement of 18.0%, lending to small and marginal farmers constituted 3.9% of adjusted net bank credit and lending to micro enterprises and "weaker section" categories constituted 6.8% and 6.3% respectively. From fiscal 2017, priority sector lending achievements would be evaluated on a quarterly average basis and not just at the fiscal year-end. Further, in July 2015, 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 is expected to notify the banks of the banking system's average level at the beginning of each year. The target for fiscal 2016 was 11.57% of adjusted net bank credit, against which the level achieved by the Bank was 8.1%. The Reserve Bank of India has also directed banks to continue to pursue the target of 13.5% of adjusted net bank credit towards lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines.

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. 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 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, 2016 our total investments in such schemes on account of past shortfalls in achieving the required level of priority sector lending were Rs. 280.7 billion. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding mandated investments in Government schemes at March 31 of the fiscal year to be treated as part of indirect agriculture and 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 proposed a scheme to sell and purchase priority sector lending certificates among banks 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 2.3% in fiscal 2014, 2.1% in fiscal 2015 and 2.2% in fiscal 2016. 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 more risky 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 4,450 branches at year-end fiscal 2016. 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 low-cost branches in centers in the country having no bank presence. 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 price of our equity shares and ADSs.

***We are subject to capital adequacy and liquidity requirements stipulated by the Reserve Bank of India, including Basel III, and any inability to maintain adequate capital or 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.***

With effect from April 1, 2013, banks in India commenced implementation of 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 new 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, 2016 were: common equity Tier 1 risk-based capital ratio of 12.9%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%.

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 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 1, 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. These 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 complex and severe stress testing.

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. 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. Further, the Reserve Bank of India has issued draft guidelines on the net stable funding ratio for banks which is expected to be applicable from January 1, 2018 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. 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 reduction in our regulatory capital 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, impact our profitability and our future performance and strategy.

***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. Unlike several developed economies, a nation-wide credit bureau only became operational in India in 2000. This may limit the information available to us about the credit history of our borrowers, especially individuals and small businesses. 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 achieving these requirements may be required to be invested in Government schemes that yield low returns, thereby impacting our profitability. We may also experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the price of our equity shares and ADSs*” 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, 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 price 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 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 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. 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, 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. 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 or regulatory policies. See also “—*If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”. Regulators may find that we are not in compliance with applicable laws, regulations, accounting and taxation 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, reduce dividend or executive compensation 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*”.

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.

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. Similarly, our asset management subsidiary is subject to supervision and regulation by the Securities and Exchange Board of India.

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 (US\$10.0 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. We have filed an appeal against the penalty. Although we have not received any formal notice of investigation, there can be no assurance that these incidents will not be the subject of further investigation by the regulatory authorities, including the tax enforcement authorities.

In addition, 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 inquiries or investigations by regulatory and enforcement authorities and in regulatory or enforcement action against either us, or such employees, representatives, agents and third-party service providers. Such actions may 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.

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, 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.

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 cooperate with any such regulatory investigation or proceeding.

***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—Classification of Loans—Non-Performing Asset Strategy*”. 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. While the Indian parliament has approved legislation introducing a new Insolvency and Bankruptcy Code, there are uncertainties in respect of the timing of its implementation and its impact on 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 price of our equity shares and ADSs.

***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 example, 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. In addition, unlike several developed economies, a nationwide credit bureau has only recently built up its database in India. 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 and profit on foreign exchange transactions 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 example, in May 2014, the Reserve Bank of India directed banks to remove foreclosure charges on floating rate term loans given to individual borrowers and were prohibited 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. Since fiscal 2012, we have witnessed a moderation in growth in our commission, exchange and brokerage income, primarily due to the decline in corporate investment activity and new financing proposals. Various factors 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, 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. 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. 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. Business opportunities in these jurisdictions will also determine the growth in our operations.

The loan portfolio of our international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (as 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. 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. 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 the position taken by these subsidiaries' respective regulators in connection with cross-border risk and exposure concentration, these subsidiaries have reduced their business volumes, resulting in a high level of capital relative to assets in ICICI Bank Canada and impacting the return on the capital invested by ICICI Bank in these subsidiaries. While these subsidiaries are focused on growing their business within the current regulatory framework, the opportunities to do so may be limited. Further, while we are seeking to rationalize the capital invested in our overseas banking subsidiaries and these subsidiaries have repatriated a part of their excess capital to ICICI Bank, there can be no assurance that we will be able to achieve further capital rationalization through repatriation or otherwise. Further, recent global developments including decline in crude oil prices and the United Kingdom's decision to exit from the European Union 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. 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*" and "*—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, which may be impacted by global and local economic conditions. 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 interbank 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 mismatches. For example, our project finance loans typically have longer-term maturities compared to our funding profile. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches, which in the past required the prior approval of the Reserve Bank of India. We have recently significantly expanded our branch network pursuant to the Reserve Bank of India's authorizations for establishing new branches, and the Reserve Bank of India has also permitted banks to freely open new branches subject to certain conditions since September 2013. 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.

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 were circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal transaction levels on 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 amount to approximately 2% of our total borrowings at March 31, 2016. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we 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 price of our equity shares and ADSs*", "*—Risks Relating to India and Other Economic and Market Risks—Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price 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; concentration of large exposures in banks and collateral management; 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, impact our overall growth and impact our return on capital. For instance, our wholly owned banking subsidiaries in the United Kingdom and Canada reduced their business volumes after fiscal

2009 in response to the changes in the regulatory environment, which has impacted their growth and profitability. 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 measures are subject to regulatory approvals. There can be no assurance regarding the timing or grant of such approvals in the future. The Reserve Bank of India has moved to a risk-based supervision approach for Indian banks, including us, and may require banks to hold additional capital over and above the minimum regulatory requirements based on its assessment of risks for individual banks.

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 regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”. 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 example, the Reserve Bank of India, in its guidelines for new private sector banking licenses issued in February 2013, has mandated new banks pursuant to the issuance of such licenses, to be set up under a financial holding company structure. In 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. 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, many 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 price 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 price 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 and community organizations in response to that conduct. Although we take steps to minimize reputation risk in dealing with customers and other constituencies, we, as a large financial services organization are inherently exposed to this risk. 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 a smaller number of banks that are individually large 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 and acquisitions. Any future acquisitions or mergers, 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. 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 price 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 price 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 retail loan portfolio grew by 21.9% in fiscal 2016 compared to an increase of 13.1% in our overall gross loan portfolio. 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 price 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 and non-bank finance companies. 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 11 payments banks (some of whom have subsequently indicated that they would not pursue the establishment of payments banks) and 10 small finance banks. The Reserve Bank of India has also issued draft 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. 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 pressures 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*”.

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 example, 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. Further, starting from April 2015, the Association of Mutual Funds of India has introduced a cap of 100 basis points on upfront commission for all mutual fund schemes. 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 related to such activity. 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 price of our equity shares and ADSs.***

Although our insurance businesses are profitable and we currently do not anticipate they would require additional capital, additional capital may be required to support the business which may, among other reasons,

arise due to regulatory requirements. 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 price 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, Fairfax Financial Holdings and ICICI Bank agreed that Fairfax Financial Holdings would increase its shareholding in ICICI Lombard General Insurance Company by 9.0%. The transaction was completed in March 2016, with the resultant share ownership in ICICI Lombard General Insurance Company of ICICI Bank and Fairfax Financial Holdings Limited at approximately 64% and 35%, respectively. We also sold 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, to financial investors during fiscal 2016. On completion of the transaction, our share ownership in ICICI Prudential Life Insurance Company reduced from approximately 74% to 68%. Our board of directors has approved a further sale of up to approximately 12.7% 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, subject to necessary approvals and market conditions, and ICICI Prudential Life Insurance Company has filed a draft red herring prospectus dated July 15, 2016 with the Securities and Exchange Board of India for the proposed public offering. However, there is no assurance that we will be able to undertake further monetization of our investments in our insurance subsidiaries, through this proposed public offering or otherwise, or of the level of valuation of the insurance 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 joint ventures 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 change 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. Linked products contributed to 83.3% of the retail weighted received premium of ICICI Prudential Life Insurance Company in fiscal 2016, compared to 84.8% of the retail weighted received premium in fiscal 2015, and 66.5% in fiscal 2014. 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 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 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.

ICICI Lombard General Insurance Company's gross written premiums (excluding its share of declined risk pool and inward reinsurance) increased by 21.2% from Rs. 66.8 billion during fiscal 2015 to Rs. 80.9 billion during fiscal 2016. There can be no assurance of the future rates of growth in the insurance business. Further, our general insurance subsidiary has also been adversely impacted by higher losses on the mandated third-party motor insurance pool, which resulted in a loss of Rs. 4.2 billion in fiscal 2012 for the subsidiary. This subsidiary has been making profits since fiscal 2013. 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 price of our equity shares and ADSs*" and "*Supervision and Regulation—Regulations Governing Insurance Companies*".

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 price of our equity shares and ADSs.

***The proposed initial public offerings of our life insurance subsidiary may not be completed, and if completed, will increase the complexity of our business.***

Our board of directors has approved the further sale of up to approximately 12.65% 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, subject to necessary approvals and market conditions, and ICICI Prudential Life Insurance Company has filed a draft red herring prospectus with the Securities and Exchange Board of India for the proposed public offering.

However, adverse developments in the financial markets, the Indian life insurance industry, or in the business of our life insurance subsidiary, in addition to various other factors, may result in our failure to complete the proposed initial public offering on the terms currently contemplated, or at all. Our inability to complete the initial public offering on the terms currently contemplated, or at all, may adversely affect our results of operation and financial condition.

If completed, the proposed initial public offering will lead to increased complexity in our business. Upon becoming a publicly traded company, our life insurance subsidiary will have to begin interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. If our and our subsidiary's management teams are not able to successfully or efficiently manage our subsidiary's transition to being a public company, increased oversight and continuous scrutiny of securities analysts and investors, it could adversely affect our business, results of operations and financial condition.

***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 risk that the model used to estimate life and health insurance reserves based on such assumptions is itself 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 takes 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, 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 the legal environment, results of litigation, costs of repairs 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 price of our equity shares and ADSs”.

***The financial results of our insurance subsidiaries could be materially adversely affected by the occurrence of 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 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 or employee tampering or manipulation of those systems 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 example, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us. 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 prove inadequate, or are 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. 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 over-riding 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*".

***Fraud and significant security breaches in our computer system and network infrastructure could adversely impact our business.***

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. 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 for Restructured Loans and Non-performing Assets*” and “*Business—Risk Management—Operational Risk*”. Physical or electronic

break-ins, security breaches or other disruptions caused by power disruptions or the increased use of technology could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Technology has been undergoing a rapid evolution driven by mobility, cloud computing and social networks and this has led to increased cyber threats such as distributed denial of service attacks, spear phishing attacks and proliferation of malware and trojans. Given our focus on technology and presence in diverse geographies, we are exposed to such attacks which may 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. While we maintain insurance coverage that may, in accordance with the policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. We have a governance framework in place for security and has implemented information security policies, procedures and technologies. However, considering that technology is currently in a phase of rapid evolution and considering 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. 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. A significant failure in security measures could have a material adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

***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. We have also launched delivery of banking services through mobile phones, apart from ATMs, call centers and the Internet. 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 due to a major power outage, floods, earthquakes, internet link failures or other events, 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 price 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*”.

***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. 39.9 billion in additional taxes in excess of our provisions at March 31, 2016. These additional tax demands mainly relate to issues disputed by us and the tax authorities, such as the disallowance of depreciation on leased assets, disallowance of expenditure incurred towards exempt income,

withdrawal of a special reserve, marked-to-market losses, double taxation of income of two of our venture capital funds and indirect tax matters. The Rs. 39.9 billion included in our contingent liabilities does not include further disputed tax assessments amounting to Rs. 39.7 billion mainly relating 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. 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 price 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.

***Any inability to attract and retain talented professionals may adversely impact our business.***

Our business has become more complex with both product line expansion including the insurance area and geographic expansion internationally and through the rural initiatives. 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 and on our ability to attract and train young professionals. 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. Further, increased competition, including the entry of new banks into an already competitive sector, may affect our ability to hire and retain qualified employees. 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. 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, non-banking finance companies and insurance companies, the implementation of Ind AS will begin from April 1, 2018. Accordingly, ICICI Bank and our group companies, would report its financials as per Ind AS from April 1, 2018 onwards. Further, we may issue financial statements under International Financial Reporting Standards prior to the schedule that may be announced by Indian regulators, for compliance with regulations in certain jurisdictions where we have operations or where our securities are listed. 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, accounting of loan processing fees and costs, amortization of premium/discount on purchase of financial assets, employee stock option, deferred tax and consolidation accounting.

#### 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 depository facility is uncertain and may be subject to delays.

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 depository 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 price 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 price 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 price 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, 2016, the Life Insurance Corporation of India held 10.4% 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 price 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 25.4% of our equity shares at June 30, 2016 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 “*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 Bombay Stock Exchange Sensex fell by 565 points from 5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE and the NSE 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 BSE Sensex reached an all-time high of 20,873 on January 8, 2008 but subsequently experienced a sharp correction, with the BSE Sensex declining to 8,160 on March 9, 2009. In the 24 months since then, the equity markets had recovered with the 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 BSE Sensex at 17,404 at March 30, 2012. The markets have recovered subsequently and at year-end fiscal 2016 the BSE Sensex was at 25,342. 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 and the NSE. 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 price 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 advisers 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. The Securities and Exchange Board of India 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. Apart from banking products and services, we offer life and general insurance, asset management, securities brokering and private equity products and services through our specialized subsidiaries. Our total assets at year-end fiscal 2016 were Rs. 9,187.6 billion. Our capital and reserves at year-end fiscal 2016 were Rs. 941.1 billion. In fiscal 2016, we earned a net profit of Rs. 101.8 billion compared to Rs. 122.5 billion in fiscal 2015.

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 4,450 branches and 13,766 ATMs in India at year-end fiscal 2016.

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, and 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 primarily to Indian companies for their overseas operations as well as for their foreign currency requirements in India. 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 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—We experienced rapid international growth in earlier years which has increased 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 credit derivatives, bonds of non-India financial institutions and 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 the largest private sector life insurance company in India during fiscal 2016, with a market share of 11.3% in new business written (on retail weighted new business premium basis) according to the Life Insurance Council. 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. 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 2016, with a market share of 8.4% in gross written premium according to the General Insurance Council. 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, 2016 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*, a leading 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. Our 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 structured as a non-banking finance company in which ICICI Bank and a wholly owned subsidiary together have a shareholding of 31.0%.

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 2653 1414 and our website address is [www.icicibank.com](http://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 means 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, 2016, 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	10.4 %	607,719,713
General Insurance Corporation of India and government-owned general insurance companies	1.7	101,586,160
UTI and UTI Mutual Fund	0.8	45,113,848
Other government-controlled institutions, mutual funds, corporations and banks	0.2	11,797,493
Total government-controlled shareholders	13.1	766,217,214
Other Indian investors:		
Individual domestic investors <sup>(1),(2)</sup>	6.1	356,448,362
Mutual funds and banks (other than government-controlled mutual funds and banks) <sup>(2)</sup>	10.1	585,487,037
Other Indian corporations and others <sup>(2)</sup>	5.6	322,899,050
Total other Indian investors	21.8	1,264,834,449
Total Indian investors	34.9	2,031,051,663
Foreign investors:		
Deutsche Bank Trust Company Americas, as depositary for ADS holders	25.4	1,476,461,326
Dodge and Cox International Stock Fund	6.4	371,911,985
Europacific Growth Fund	2.2	130,051,772
Other foreign institutional investors, foreign banks, overseas corporate bodies, foreign companies, foreign nationals, foreign institutional investors and non-resident Indians <sup>(2)</sup>	31.1	1,807,445,234
Total foreign investors	65.1	3,785,870,317
Total	100.0 %	5,816,921,980

(1) Executive officers and directors (including non-executive directors) as a group held about 0.06% of ICICI Bank's equity shares at June 30, 2016.

(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 13.1% at June 30, 2016 against 11.2% at June 30, 2015 and 11.0% at June 30, 2014. The holding of Life Insurance Corporation of India was 10.4% at June 30, 2016 against 8.5% at June 30, 2015 and 8.3% at June 30, 2014.

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 that the government of India is entitled, pursuant to the provisions of guarantee agreements between the government of India and ICICI, to appoint 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 “*Management—Directors and Executive Officers*” for a discussion of the composition of our Board of Directors.

The holding of other Indian investors was 21.8% at June 30, 2016 against 19.2% at June 30, 2015 and 19.5% at June 30, 2014. The total holding of Indian investors was 34.9% at June 30, 2016 against 30.4% at June 30, 2015 and 30.5% at June 30, 2014. The holding of foreign investors was 65.1% at June 30, 2016 against 69.6% at June 30, 2015 and 69.5% at June 30, 2014. See “*Supervision and Regulation—Reserve Bank of India Regulations—Ownership Restrictions*”. Deutsche Bank Trust Company Americas holds the equity shares represented by 738 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 25.4% of our equity shares at June 30, 2016 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 “*Overview of the Indian Financial Sector—Structural Reforms— Amendments to the Banking Regulation Act*”.

## Strategy

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. 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. Against this backdrop, our strategic focus was to maintain an optimal balance among profitability, risk management and growth across various businesses. During this period, we adopted a cautious approach to loan growth in the corporate segment while closely monitoring asset quality, and pursued growth in the retail portfolio.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results, resulting in an increase in the level of additions to non-performing loans, including slippages from the restructured loan portfolio into non-performing status. In addition, 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) and provisions during the second half of fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. Indian banks in general have become more cautious in their approach to corporate lending given the above developments. Further, large banks in the public sector have also moderated their loan growth substantially in view of their relatively lower levels of capital adequacy and losses in fiscal 2016. *“Risk Factors—Risks Relating to our Business—If we are not able to control the level of non-performing assets in our portfolio, our business will suffer”, “Risk Factors—Risks Relating to our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer” and “Business—Strategy” and “Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2016”.*

Due to uncertainties in certain sectors like power, mining, iron & steel, cement and rigs, led by the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank’s exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is 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. See *“Operating and Financial Review and Prospects—Provisions and contingencies (excluding tax provisions)—Provisions for Non-performing Assets and Restructured Loans”.*

In fiscal 2016, we continued to focus on opportunities for sustainable profitable growth by enhancing our retail franchise, including growing our retail loan portfolio and maintaining 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, to focus on strengthening our insurance, asset management and securities businesses, and commenced unlocking value from our investments in our insurance subsidiaries. We also continued to leverage technology to improve the customer experience as well as our operating efficiency. We adopted a cautious approach to lending to the corporate sector, and refined and strengthened the framework for managing concentration risks, including thresholds with respect to single borrower and group exposure. We maintained a strong capital position with capital adequacy ratios significantly above the regulatory requirements.

Going forward, our objective will be to sustain our robust funding profile and leverage our capital base for profitable growth with diversification of risk. Our strategic priorities are summarized below:

*Improving portfolio quality*

We will seek to improve the credit mix of our portfolio through continued focus on retail lending, and lending to higher rated companies. We believe that retail lending represents a robust growth opportunity, given India's demographic profile, rising incomes and urbanization, the under-penetration of retail credit and stable asset quality, aided by the growth of credit bureaus and improved customer data availability. In unsecured retail lending, we will continue to focus primarily on cross-sell to our existing customers.

We will seek to reduce concentration risk in our portfolio through our revised concentration risk management framework, including revised thresholds for single borrower and group exposures.

We will focus on resolution of exposures that have been impacted by the challenging economic and operating environment through asset sales by borrowers, changes in management of companies and working with stakeholders to ensure that companies are able to operate at an optimal level and generate cash flows.

We will focus on proactive monitoring of loan portfolios across businesses with use of analytics and identification of early warning signals.

*Continuing to enhance our franchise*

We will focus on sustaining our robust funding profile and maintaining a healthy proportion of current and savings account deposits and retail term deposits in our total deposits.

We will continue to leverage technology for competitive advantage in our business with a focus on innovation, customer experience, cross-sell, operating efficiency and analytics.

We will focus on cost efficiency while continuing to make investments in technology and expand our distribution network.

We will focus on capital efficiency with the objective of maintaining a healthy capital position and seek to unlock further value from our investment in subsidiaries.

Meeting customer expectations on service quality and attracting and retaining talented professionals will be important elements of our strategy.

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 (including primarily commercial vehicle 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. 1,956.9 billion constituting 43.4% of gross loans at year-end fiscal 2015 to Rs. 2,385.7 billion constituting 46.8% of gross loans at year-end fiscal 2016. This was driven primarily by growth in secured retail lending categories like mortgages, automobile loans and rural loans, resulting in an increase in the retail portfolio. 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 rising income levels and expansion of the middle class.

Our retail asset products are generally fixed rate products repayable in equated 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 first day of the succeeding quarter or succeeding month, as applicable. 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, and based on certain criteria, by changing the monthly installment amount. 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. The Reserve Bank of India’s directed lending norms also require us to lend a portion of advances to the agricultural sector and micro enterprises. 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 have tied up 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. Rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. We are continuously exploring various models for operating through cost effective structures in rural locations, including technology-based channels and have opened 472 low cost branches in rural locations, which offer basic banking services to rural customers. 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,				
2014	2015	2016	2016	2016
(Rs. in billions)			(% share)	(US\$ in millions)

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Home loans	Rs. 891.1	Rs. 1,094.0	Rs. 1,334.3	56.0	%	US\$ 20,141
Automobile loans	155.1	190.0	224.6	9.4		3,391
Commercial business loans	125.3	109.4	129.2	5.4		1,949
Business banking <sup>(1)</sup>	57.8	73.2	80.9	3.4		1,221
Others <sup>(2),(3)</sup>	268.5	332.2	398.8	16.7		6,020
Total secured retail finance portfolio	1,497.8	1,798.8	2,167.8	90.9	%	32,722
Personal loans	46.9	71.3	102.2	4.3		1,542
Business banking <sup>(1)</sup>	25.4	23.9	33.3	1.4		503
Credit card receivables	36.2	41.4	55.2	2.3		833
Others <sup>(2)</sup>	15.0	21.5	27.2	1.1		411
Total unsecured retail finance portfolio	123.5	158.1	217.9	9.1	%	3,289
Total retail finance portfolio	Rs. 1,621.3	Rs. 1,956.9	Rs. 2,385.7	100.0	%	US\$ 36,011

(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. 91.8 billion at March 31, 2016.

Our unsecured retail portfolio primarily includes personal loans and loans against credit card receivables. Following the global financial crisis leading to increase in interest rates, tightening liquidity and challenging macro-economic environment and also 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 2016, ICICI Bank's personal loan disbursements, at Rs. 74.1 billion, were about 7.9% of total retail loan disbursements and the number of outstanding credit cards increased from around 3.3 million at year-end fiscal 2015 to about 3.7 million at year-end fiscal 2016. 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%. At year-end fiscal 2016, our personal loans portfolio was Rs. 102.2 billion compared to Rs. 71.3 billion at year-end fiscal 2015. The credit card receivables portfolio at year-end fiscal 2016 was Rs. 55.2 billion compared to Rs. 41.4 billion at year-end fiscal 2015. The proportion of unsecured retail loans in the total retail portfolio was 9.1% at year-end fiscal 2016 compared to 8.1% at year-end fiscal 2015 and 7.6% at year-end fiscal 2014.

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. Our policies for such 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 mortgages are insured and primarily have federal-backed insurance. At year-end fiscal 2016, ICICI Bank Canada held total residential mortgages amounting to CAD 3,240 million (Rs. 166.0 billion) as compared to CAD 2,854 million (Rs. 140.0 billion) at year-end fiscal 2015. This includes mortgages of CAD 2,968 million (Rs. 152.0 billion) at year-end fiscal 2016 as compared to CAD 2,567 million (Rs. 125.9 billion) at year-end fiscal 2015 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, and have corporate salary account products. We offer 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 2016, we had a debit card base in excess of 32 million cards.

We are currently placing enhanced emphasis on increasing our current and savings account deposit base and improving the proportion of current and savings accounts in our total deposits. Expansion of our branch network in India and leveraging technology 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. We have introduced contactless payment solutions through mobile phones. 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—Reserve Bank of India Regulations—Regulations Relating to Deposits*" and "*Supervision and Regulation—Deposit Insurance*". For more information on the type, cost and maturity profile of our deposits, see "*Business—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 depository participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depository 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 have segmented offerings for the small and medium enterprise sector while adopting a cluster based financing approach to fund small enterprises that have a homogeneous profile such as engineering, information technology, transportation and logistics and pharmaceuticals. We also offer supply chain financing solutions to the channel partners of corporate clients and business loans (in the form of cash credit/overdraft/term loans) to meet the working capital needs of small businesses. We are also proactively reaching out to small and medium enterprises through various initiatives such as the "SME toolkit" —an online business and advisory resource for small and medium enterprises; and the "Emerging India Awards" —a small and medium enterprises recognition platform. We also offer fee-based products and services including transaction banking services, documentary credits and guarantees to 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*”.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. 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.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results. 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—If we are not able to control the level of non-performing assets in our portfolio, our business will suffer*” and “*Business—Strategy*” and “*Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2016*”.

#### 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 collection services on behalf of the government of India and the governments of Indian states. At year-end fiscal 2016, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depository banks for GDR investors) were Rs. 2,097.9 billion. As a registered depository participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositories operating in India, we also provide electronic depository 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 “—*Business—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, 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, meeting the foreign currency needs of our Indian corporate clients, taking select non-India trade finance exposures linked to imports to India, carrying out select local lending and achieving the status of the preferred non-resident Indian community bank in key markets. 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, 2016, 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 a host of 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.

**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 2016 were Rs. 1,188.4 billion and total advances were Rs. 938.1 billion compared to total assets of Rs. 1,203.8 billion and total advances of Rs. 941.2 billion at year-end fiscal 2015. 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. In the United Kingdom and Canada, our subsidiaries offer direct banking using the internet as the access channel.

At year-end fiscal 2016, ICICI Bank UK PLC has eight branches in the United Kingdom and a branch in Belgium and Germany. At year-end fiscal 2016, the total assets of ICICI Bank UK PLC were US\$ 4.6 billion. ICICI Bank UK made a net profit of US\$ 0.5 million during fiscal 2016, compared to US\$ 18 million during fiscal 2015.

At year-end fiscal 2016, ICICI Bank Canada had eight branches and total assets of CAD 6.5 billion. ICICI Bank Canada made a net profit of CAD 22 million in fiscal 2016 as compared to CAD 34 million in fiscal 2015.

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 price of our equity shares and ADSs*” and “*Risk Factors—Risks Relating to Our Business—We experienced rapid international growth in earlier years, which has increased 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 2016, we had a network of 4,450 branches across several Indian states.

The following table sets forth the number of branches broken down by area at year-end fiscal 2016.

	At March 31, 2015			At March 31, 2016		
	Number of branches% of and total extension counters			Number of branches% of and total extension counters		
Metropolitan	1,012	25.0	%	1,159	26.0	%
Urban	932	23.0		997	22.4	
Semi-urban	1,218	30.1		1,341	30.1	
Rural	888	21.9		953	21.4	
Total branches and extension counters	4,050	100.0	%	4,450	100.0	%

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our branches must be located in tier 5 and tier 6 centers defined on the basis of the population size according to the 2001

census. See also “*Supervision and Regulation—Regulations Relating to the Opening of Branches*”. At year-end fiscal 2016, we were in compliance with this condition. At year-end fiscal 2016, we had 13,766 ATMs, of which 4,603 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. 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](http://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. 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 customers can also access their accounts and perform transactions via social media platforms. 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 and complying with the cash reserve ratio requirement and ensuring 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 2016, ICICI Bank was required to maintain the statutory liquidity ratio requirement percentage at 21.5% 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 it actively manages to optimize the yield and benefit from price movements. During fiscal 2016 there was no change in the statutory liquidity ratio requirement. The statutory liquidity ratio is scheduled to come down progressively by 25 basis points every quarter in fiscal 2017 to 20.5%. Further, as a prudent liquidity management strategy, we generally maintain excess investments in securities eligible for classification under the statutory liquidity ratio requirement. 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 2016, 80.9% of ICICI Bank’s government securities portfolio was in the held-to-maturity category. 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, 2014

	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 117,214	Rs. 2,260	Rs. (1,909 )	Rs. 117,565
Government securities	202,088	745	(535 )	202,298
Other debt securities <sup>(1)</sup>	139,277	1,789	(829 )	140,237
Total debt securities	458,579	4,794	(3,273 )	460,100
Equity securities	38,307	12,176	(6,999 )	43,484
Other investments <sup>(2)</sup>	32,893	3,431	(5,942 )	30,382
Total	Rs. 529,779	Rs. 20,401	Rs. (16,214)	Rs. 533,966

(1) Includes credit linked notes.

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

## At March 31, 2015

	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 130,904	Rs. 1,882	Rs. (385 )	Rs. 132,401
Government securities	207,817	790	(187 )	208,420
Other debt securities	126,776	3,766	(493 )	130,049
Total debt securities	465,497	6,438	(1,065 )	470,870
Equity securities	46,898	23,767	(8,652 )	62,013
Other investments <sup>(1)</sup>	24,462	3,637	(5,493 )	22,606
Total	Rs. 536,857	Rs. 33,842	Rs. (15,210)	Rs. 555,489

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

## 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 <sup>(1)</sup>	23,674	2,691	(409 )	25,956
Total	Rs. 563,528	Rs. 28,526	Rs. (13,056)	Rs. 578,998

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

The investments in corporate debt securities decreased from Rs. 130.9 billion at year-end fiscal 2015 to Rs. 118.8 billion at year-end fiscal 2016, primarily due to a decrease in investment by ICICI Bank in corporate bonds. The investments in other debt securities decreased from Rs. 126.8 billion at year-end fiscal 2015 to Rs. 110.4 billion at year-end fiscal 2016, primarily due to a decrease in investment by ICICI Bank in pass through certificate securities with underlying Indian receivables. The investment in government securities increased from Rs. 207.8 billion at year-end fiscal 2015 to Rs. 246.8 billion at year-end fiscal 2016 primarily due to an increase in our government securities portfolio. Investments in equity shares increased from Rs. 46.9 billion at year-end fiscal 2015 to Rs. 63.8 billion at year-end fiscal 2016 primarily due to an increase in the equity portfolio of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company.

Net unrealized gain on debt investments decreased from Rs. 5.4 billion at year-end fiscal 2015 to Rs. 2.5 billion at year-end fiscal 2016 primarily due to a decrease in net unrealized gain on other debt securities from Rs. 3.3 billion at year-end fiscal 2015 to Rs. 0.8 billion at year-end fiscal 2016. Net unrealized gain on other debt securities decreased primarily due to a decrease in net unrealized gains on India-linked pass through certificates. Net unrealized gain on equity securities decreased from Rs. 15.1 billion at year-end fiscal 2015 to Rs. 10.7 billion at year-end fiscal 2016. The benchmark equity index, the BSE Sensex, declined by 9.4% from

27,957 at year-end fiscal 2015 to 25,342 at year-end fiscal 2016. Compared to a net unrealized loss of Rs. 1.9 billion on other investments at year-end fiscal 2015, we had a net unrealized gain of Rs. 2.3 billion on other investments at year-end fiscal 2016 primarily due to a decrease in net mark-to-market losses on security receipts issued by asset reconstruction companies.

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

	Year ended March 31,			
	2014	2015	2016	2016
	(in millions)			
Interest	Rs.35,837	Rs.31,219	Rs.30,766	US\$464
Dividend	1,393	1,025	1,180	18
Total	Rs.37,230	Rs.32,244	Rs.31,946	US\$482
Gross realized gain	8,031	13,394	8,413	US\$127
Gross realized loss	(2,680 )	(1,609 )	(4,028 )	(61 )
Total	Rs.5,351	Rs.11,785	Rs.4,385	US\$66

Interest and dividend income from our available-for-sale securities portfolio decreased from Rs. 32.2 billion in fiscal 2015 to Rs. 31.9 billion in fiscal 2016. The net realized gain from our available-for-sale securities decreased from Rs. 11.8 billion in fiscal 2015 to Rs. 4.4 billion in fiscal 2016 primarily due to net realized losses from the equity portfolio in fiscal 2016 as compared to net realized gain in fiscal 2015 and lower net realized gain from the fixed income portfolio in fiscal 2016.

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, 2016							
	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.23,110	3.6 %	Rs.57,974	7.4 %	Rs.30,043	9.2 %	Rs.7,651	9.0 %
Government securities	134,703	5.3	105,645	8.1	6,388	7.8	65	8.2
Other securities	66,522	8.1	41,658	7.5	736	12.3	1,518	2.4
<b>Total amortized cost of interest-earning securities<sup>(1)</sup></b>	Rs.224,335	5.9 %	Rs.205,277	7.8 %	Rs.37,167	9.0 %	Rs.9,234	7.9 %
Total fair value	Rs.226,177		Rs.206,044		Rs.36,974		Rs.9,280	

- (1) Includes securities denominated in different currencies.

The amortized cost of our held-to-maturity portfolio increased from Rs. 1,163.2 billion at year-end fiscal 2015 to Rs. 1,226.0 billion at year-end fiscal 2016 primarily due to an increase in investment in government securities. Net unrealized gain on held-to-maturity portfolio decreased from Rs. 20.5 billion at year-end fiscal 2015 to Rs. 14.5 billion at year-end fiscal 2016 primarily due to realization of gain on sale of government securities. Interest income on held-to-maturity debt portfolio increased from Rs. 87.2 billion in fiscal 2015 to Rs. 93.5 billion in fiscal 2016 due to an increase in portfolio, offset, in part, by a decrease in yield.

Investments in held-for-trading securities increased from Rs. 281.4 billion at year-end fiscal 2015 to Rs. 308.4 billion at year-end fiscal 2016 primarily due to an increase in investment in government securities and commercial paper. Interest and dividend income on held-for-trading securities decreased from Rs. 18.3 billion in fiscal 2015 to Rs. 17.8 billion in fiscal 2016 primarily due to a decrease in dividend income on the held-for-trading portfolio. Net realized and unrealized gains on the held-for-trading portfolio decreased from Rs. 6.7 billion in fiscal 2015 to Rs. 1.8 billion in fiscal 2016 primarily due to lower gains on sale of government and other domestic fixed income securities during fiscal 2016.

At year-end fiscal 2016, we have investments in equity shares amounting to Rs. 75.2 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—Reserve Bank of India Regulations—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 ensure 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, 2015

Asset backed securities (1),(2)	Bonds(2),(3)	Others	Total	Mark-to-market gain/(loss) in fiscal 2015	Realized gain/(loss) Impairment loss in income statement for fiscal	Mark-to-market gain/ (loss) at March 31, 2015
Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity

	(Rs. in millions)						2015				
U.S.	–	–	–	671	–	–	–	671	6	0	1
Canada	–	55	–	32,455	–	625	–	33,135	(45 )	(19 )	311
Europe	–	7,942	–	3,003	–	–	–	10,945	421	(1 )	(1,006 )
India	–	–	–	30,984	–	–	–	30,984	557	374	377
Rest of Asia	–	–	–	8	–	1,875	–	1,883	0	15	0
Total portfolio	–	7,997	–	67,121	–	2,500	–	77,618	939	369	(317 )

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

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 (2)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, 2016

Asset backed securities (1),(2)	Bonds(2),(3)	Others	Total	Mark-to-market gain/(loss) in fiscal 2016	Realized gain/(loss)/ impairment loss in income statement for fiscal 2016	Mark-to-market gain/ (loss) at March 31, 2016
Trading held-to-maturity	Trading held-to-maturity	Trading held-to-maturity	Trading held-to-maturity	Mark-to-market gain/(loss) in fiscal 2016	Realized gain/(loss)/ impairment loss in income statement for fiscal 2016	Mark-to-market gain/ (loss) at March 31, 2016
(Rs. in millions)						
U.S.	- -	- -	- -	(1 )	8	-
Canada	- -	- 43,301	- -	(118 )	14	204
Europe	- 5,016	- 3,305	- -	(146 )	0	(1,214 )
India	- -	- 49,773	- -	(522 )	(169 )	(129 )
Rest of Asia	- -	- -	- 1,325	0	1	0
Total portfolio	- 5,016	- 96,379	- 1,325	(787 )	(146 )	(1,139 )

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

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 (2)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.

Investments in corporate and financial sector debt securities and mortgage and asset backed securities by our overseas branches and banking subsidiaries increased from Rs. 77.6 billion at year-end fiscal 2015 to Rs. 102.7 billion at year-end fiscal 2016 primarily due to an increase in investment in corporate bonds. Investment in asset backed securities decreased from Rs. 8.0 billion at year-end fiscal 2015 to Rs. 5.0 billion at year-end fiscal 2016 primarily due to maturity of asset backed securities. The bond portfolio increased from Rs. 67.1 billion at year-end fiscal 2015 to Rs. 96.4 billion at year-end fiscal 2016. At year-end fiscal 2016, our investments in Europe were Rs. 8.3 billion as compared to Rs. 10.9 billion at year-end fiscal 2015. 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. 0.3 billion at year-end fiscal 2015 and Rs. 1.1 billion at year-end fiscal 2016. During fiscal 2016, there was a mark-to-market loss of Rs. 0.8 billion compared to a gain of Rs. 0.9 billion during fiscal 2015. Net realized and impairment loss was Rs. 0.1 billion during fiscal 2016 as compared to a net realized and impairment loss of Rs. 0.4 billion during fiscal 2015.

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	
	2015	2016
	(in millions)	
Bonds		
Banks and financial institutions	Rs. 25,901	Rs. 35,133
Corporate	41,221	61,246
Total bonds	67,122	96,379
Asset backed securities	7,997	5,016
Others <sup>(1)</sup>	2,499	1,325
Total	Rs. 77,618	Rs. 102,720

(1) Includes investments in certificates of deposits.

Our 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 accounted for approximately 89.2% of the total investments in banks and financial institutions at year-end fiscal 2016 as compared to approximately 90.6% at year-end fiscal 2015. Approximately 31.6% of our investment in securities of corporate entities was India-linked at year-end fiscal 2016 as compared to approximately 24.6% at year-end fiscal 2015.

Our total investment in asset backed securities represents less than 0.5% of our total assets at year-end fiscal 2016. The portfolio size of such securities was Rs. 5.0 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 2016, the fair value of investments in the government securities held by our overseas branches and banking subsidiaries was Rs. 45.2 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 an integrated securities firm offering a wide range of services including investment banking, institutional broking, retail broking, private wealth management, and financial product distribution. ICICI Securities Limited has an online share trading portal called [icicidirect.com](http://icicidirect.com). The primary objective of [icicidirect.com](http://icicidirect.com) is to enable individuals to make investments and to offer a wide range of investment options by providing a seamless structure that integrates a customer's bank account, demat account and trading account. 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 engaged in brokerage services and has a branch office in Singapore where it holds the capital markets services license for dealing in securities in Singapore. ICICI Securities is also registered as an international dealer in Canada in the provinces of British Columbia, Ontario and Quebec. ICICI Securities Limited (consolidated) made a net profit of Rs. 2.4 billion in fiscal 2016 compared to a net profit of Rs. 2.9 billion in fiscal 2015.

#### 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 made a net profit of Rs. 2.0 billion in fiscal 2016 compared to a net profit of Rs. 2.2 billion in fiscal 2015. 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 manages funds that provide venture capital funding to start-up companies and private equity to a range of companies. ICICI Venture is a diversified specialist alternative asset manager with a presence across private equity, real estate, infrastructure and special situations. At year-end fiscal 2016, ICICI Venture managed or advised funds of about Rs. 129.9 billion (based on total commitments). In fiscal 2016, ICICI Venture concluded its first closing at US\$ 190 million (including co-investment capital). The company concluded a diverse range of investments across various funds into sectors such as consumer products and services, retail and financial services. ICICI Venture incurred a loss of Rs. 0.21 billion in fiscal 2016 compared to a net profit of Rs. 0.01 billion in fiscal 2015.

## 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. 1,758.8 billion during fiscal 2016. ICICI Prudential Asset Management Company made a net profit of Rs. 3.3 billion during fiscal 2016 compared to a net profit of Rs. 2.5 billion in fiscal 2015.

## 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 and ICICI Lombard General Insurance Company are joint ventures with Prudential Corporation Holding Limited, a part of the Prudential PLC group of the United Kingdom and Fairfax Financial Holdings of Canada, respectively. 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 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. In March 2015, the government of India issued regulations regarding foreign shareholding in the insurance sector, which were subsequently amended in July 2015. ICICI Bank sold a 9% stake in ICICI Lombard General Insurance Company to Fairfax Financial Holdings during fiscal 2016. Following the transaction, the share ownership in ICICI Lombard General Insurance Company of ICICI Bank and Fairfax Financial Holdings Limited were approximately 64% and 35%, respectively. We also sold an approximately 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, during fiscal 2016. After this sale, our share ownership in ICICI Prudential Life Insurance Company came down from approximately 74% to 68%.

ICICI Prudential Life Insurance Company had an overall market share of 11.3% based on retail weighted new business received premium in fiscal 2016, as compared with a market share of 9.7% for its nearest private sector competitor. It also had a market share of 21.9% in the private sector in fiscal 2016 compared to 23.0% in fiscal 2015 according to the Life Insurance Council. The total premium increased by 25.2% from Rs. 153.1 billion during fiscal 2015 to Rs. 191.6 billion in fiscal 2016. The retail renewal premium increased by 25.3% from Rs. 95.7 billion in fiscal 2015 to Rs. 120.0 billion in fiscal 2016. The retail new business premium increased from Rs. 49.3 billion in fiscal 2015 to Rs. 54.6 billion in fiscal 2016. ICICI Prudential Life Insurance Company made a net profit of Rs. 16.5 billion during year-end fiscal 2016 compared to a net profit of Rs. 16.3 billion during year-end fiscal 2015.

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 83.3% of the retail weighted received premium of ICICI Prudential Life Insurance Company in fiscal 2016 compared to 84.8% in fiscal 2015 and 66.5% in fiscal 2014. 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 align with three insurance companies each in life, non-life and health insurance sectors.

ICICI Lombard General Insurance Company's gross written premiums (excluding its share of declined risk pool and inward reinsurance) increased by 21.2% from Rs. 66.8 billion during fiscal 2015 to Rs. 80.9 billion during fiscal 2016. ICICI Lombard General Insurance Company was the largest private general insurer with a market share of about 8.4% in gross written premiums amongst all general insurance companies during fiscal 2016 according to General Insurance Council of India. ICICI Lombard General Insurance Company made a net profit of Rs. 5.1 billion in fiscal 2016 compared to a net profit of Rs. 5.4 billion in fiscal 2015. The decrease in net profits was primarily due to a higher effective tax rate during fiscal 2016 following the absorption of tax benefit on losses carried forward from earlier years.

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.

ICICI, prior to the amalgamation, raised funds through foreign currency borrowings from commercial banks and other multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the government of India. The government of India has, in its letter dated May 31, 2007, instructed us to take steps to either repay or prepay such foreign currency borrowings for which a guarantee has been provided by the government of India or to substitute the guarantees provided by the government of India with other acceptable guarantees. At year-end fiscal 2016, the total outstanding loans/bonds of ICICI Bank that are guaranteed by the government of India were Rs. 5.1 billion, constituting approximately 0.3% of the total borrowings of the Bank at that date.

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 subsidiaries in the United Kingdom and Canada fund themselves primarily through retail deposits. Our Canadian subsidiary also funds itself through securitization of insured mortgages.

Our deposits were 49.1% of our total liabilities at year-end fiscal 2016 compared to 46.7% of our total liabilities at year-end fiscal 2015. Our borrowings were 24.0% of our total liabilities at year-end fiscal 2016 compared to 25.6% of our total liabilities at year-end fiscal 2015. Our deposits increased by 16.9% from Rs. 3,859.6 billion at year-end fiscal 2015 to Rs. 4,510.8 billion at year-end fiscal 2016. Our borrowings (including redeemable non-cumulative preference shares and subordinated debt) increased by 4.3% from Rs. 2,112.5 billion at year-end fiscal 2015 to Rs. 2,203.8 billion at year-end fiscal 2016 primarily due to an increase in foreign currency bond borrowings, refinance borrowings and foreign currency term money borrowing, offset, in part, by a decrease in borrowings from the Reserve Bank of India under its liquidity adjustment facility. The increase in borrowings was primarily due to an increase in inter-bank borrowings, bond borrowings and syndicated borrowings by ICICI Bank UK and borrowings under insured mortgages securitized by ICICI Bank Canada. The increase in overseas borrowings as stated in Indian Rupee terms also reflects the depreciation of the Rupee vis-à-vis the U.S. dollar.

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

At March 31,

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	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions, except percentages)					
Current account deposits	Rs. 443,647	12.3 %	Rs. 504,596	13.1 %	Rs. 603,389	13.4 %
Savings deposits	1,078,310	30.0	1,221,062	31.6	1,444,551	32.0
Time deposits	2,073,170	57.7	2,133,894	55.3	2,462,834	54.6
Total deposits	Rs. 3,595,127	100.0%	Rs. 3,859,552	100.0%	Rs. 4,510,774	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, <sup>(1)</sup>				2016		
	2014	2015	2016	2016	2016	2016	
	Amount	Cost <sup>(2)</sup>	Amount	Cost <sup>(2)</sup>	Amount	Amount	Cost <sup>(2)</sup>
	(in millions, except percentages)						
Interest-bearing deposits:							
Savings deposits	Rs. 947,800	3.7 %	Rs. 1,058,154	3.8 %	Rs. 1,207,983	US\$ 18,234	3.8 %
Time deposits	1,934,262	7.7	2,155,184	7.8	2,348,344	35,447	7.4
Non-interest-bearing deposits:							
Other demand deposits	293,741	—	326,162	—	384,167	5,799	—
Total deposits	Rs. 3,175,803	5.8 %	Rs. 3,539,500	5.9 %	Rs. 3,940,495	US\$ 59,480	5.6 %

Until September 2014, the average balances are based on daily average balances outstanding, except for the (1) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

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

Our average deposits increased from Rs. 3,539.5 billion at an average cost of 5.9% in fiscal 2015 to Rs. 3,940.5 billion at an average cost of 5.6% in fiscal 2016. Our average time deposits increased from Rs. 2,155.2 billion at an average cost of 7.8% in fiscal 2015 to Rs. 2,348.3 billion at an average cost of 7.4% in fiscal 2016. The cost of time deposits decreased in fiscal 2016 compared to fiscal 2015 primarily due to a reduction of term deposit rates by ICICI Bank on select maturities reflecting the softening of interest rates in India. Our savings deposits include retail savings deposits accepted by ICICI Bank UK. See also “*Operating and Financial Review and Prospects—Financial Condition—Deposits*”.

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

	At March 31, 2016			
	Up to one year	After one year and within three years	After three years	Total
	(in millions)			
Interest-bearing deposits:				
Savings deposits	Rs. 1,444,551	Rs. —	Rs. —	Rs. 1,444,551
Time deposits	1,972,452	387,611	102,771	2,462,834
Non-interest-bearing deposits:				
Other demand deposits	603,389	—	—	603,389
Total deposits	Rs. 3,913,438	Rs. 387,611	Rs. 102,771	Rs. 4,510,774

(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, <sup>(1)</sup> 2014		2015		2016		
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
	(in millions, except percentages)						
Money market borrowings <sup>(2),(3)</sup>	Rs.261,461	38.6 %	Rs.271,944	37.9 %	Rs.290,536	US\$4,385	35.6 %
Other borrowings <sup>(4),(5)</sup>	416,756	61.4	446,031	62.1	525,375	7,930	64.4
Total	Rs.678,217	100.0%	Rs.717,975	100.0%	Rs.815,911	US\$12,315	100.0%

Until September 2014, the average balances are based on daily average balances outstanding, except for the (1) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

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

(3) With an average cost of 8.6% in fiscal 2014, 8.7% in fiscal 2015 and 7.7% in fiscal 2016.

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

(5) With an average cost of 12.5% in fiscal 2014, 11.6% in fiscal 2015 and 11.1% in fiscal 2016.

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,			% of total deposits
	2015	2016		
	(in millions, except percentages)			
Less than three months	Rs. 324,863	Rs. 330,880	US\$ 4,994	7.3 %
Above three months and less than six months	203,562	198,180	2,991	4.4
Above six months and less than 12 months	219,505	323,658	4,885	7.2
More than 12 months	29,009	37,886	572	0.8
Total deposits of Rs. 10 million and more	Rs. 776,940	Rs. 890,604	US\$ 13,442	19.7 %

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

	At March 31, <sup>(1)</sup>					
	2014	2015	2016			
	(in millions, except percentages)					
Year-end balance	Rs. 228,815	Rs. 348,867	Rs. 248,793			
Average balance during the year <sup>(2)</sup>	261,461	271,944	290,536			
Maximum quarter-end balance	301,622	348,867	249,200			
Average interest rate during the year <sup>(3)</sup>	8.6 %	8.7 %	7.7 %			
Average interest rate at year-end <sup>(4)</sup>	9.3 %	8.7 %	7.7 %			

(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.

Until September 2014, the average balances are based on daily average balances outstanding, except for the (2) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

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

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

Our short term rupee borrowings decreased from Rs. 348.9 billion at year-end fiscal 2015 to Rs. 248.8 billion at year-end fiscal 2016 primarily due to a decrease in borrowings from the Reserve Bank of India under the liquidity adjustment facility and refinance borrowings.

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, <sup>(1)</sup>						
	2014	2015	2016				
	Amount	% of total	Amount	% of total	Amount	Amount	% of total
	(in millions, except percentages)						
Bond borrowings <sup>(2)</sup>	Rs. 442,757	38.8 %	Rs. 510,239	42.9 %	Rs. 548,838	US\$ 8,284	41.0 %
Other borrowings <sup>(3)</sup>	699,657	61.2	678,076	57.1	789,163	11,912	59.0
Total	Rs. 1,142,414	100.0 %	Rs. 1,188,315	100.0 %	Rs. 1,338,001	US\$ 20,196	100.0 %

Until September 2014, the average balances are based on daily average balances outstanding, except for the (1) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

(2) With an average cost of 5.2% in fiscal 2014, 5.1% in fiscal 2015 and 4.8% in fiscal 2016.

(3) With an average cost of 2.2% in fiscal 2014, 2.0% in fiscal 2015 and 1.6% in fiscal 2016.

At year-end fiscal 2016, the outstanding debt capital instruments raised by us were Rs. 402.8 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, compliance risk, capital at risk, earning at 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 accounts 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 limits structure under which various business lines operate.

We are primarily exposed to credit risk, market risk, liquidity risk, operational 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 and Treasury Control and Service 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, Credit Monitoring Group and Treasury Control and Service Group and Operations Group report to an Executive Director. The Compliance Group and the Internal Audit Group report to the Audit Committee of the Board of Directors and the Managing Director and Chief Executive Officer. The Compliance and Internal Audit Groups have administrative reporting 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. It 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, economic slowdown in various countries globally, low commodity prices and event risks. Considering these aspects, we have comprehensively reviewed our risk appetite and limit structure, with respect to credit risk, and specifically concentration risk.

We have taken the following key measures:

- lower single borrower exposure limit for borrowers internally rated in the BBB credit rating grades.

- lower borrower group exposure limits.

- 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.

- further strengthened 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 on a regular basis.

#### 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, separate forums have been established for approval. 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, the long tenor exposure limit and limits on exposure to sensitive sectors such as capital markets, non-banking finance companies and real estate. Rating based thresholds for exposures to borrowers and limit 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 all 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, which is constituted by a majority of non-executive directors.

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

<b>Grade</b>	<b>Definition</b>
(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.

At year-end fiscal 2016, our net non-investment grade loans constituted about 18.6% of our total net loans. Fiscal 2016 witnessed a slowdown in global economic growth mainly on account of lower growth in China and emerging market economies, divergence in global monetary policy and significant decline in commodity prices including crude oil and metals. The weak global economic environment, the sharp downturn in the commodity cycle, continued challenges in the corporate sector due to the gradual nature of domestic economic recovery as against the expectation of the significant improvement in the corporate investment and performance has adversely impacted the borrowers in certain sectors such as iron & steel, mining, power, cement and rigs, resulting in credit rating downgrades in these sectors and promoter entities where the underlying is partly linked to these sectors. See also “*Consolidated Financial Statements—Schedules to the consolidated financial statements—Schedule 18B-Loans-Credit quality indicators of loans*”.

Working capital loans are generally approved for a period of 12 months. 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. A substantial portion of ICICI Bank's corporate finance loans are secured by a lien over appropriate assets of the borrower. 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.

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, 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, such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such a cluster involves the identification of appropriate credit norms for 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. There are appropriate credit structures built in based on the assessment of each case. 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.

We use a cluster-based approach for certain segments, wherein a lending program is implemented for a homogeneous group of individuals or business entities that comply with certain laid down parameterized norms. To be eligible for funding under these programs, the borrowers need to meet the stipulated credit norms and obtain a minimum score on the scoring model wherever applicable. We have incorporated control norms, borrower approval norms and review triggers in all the programs.

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 ensure effective monitoring of 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 monitors 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 is measured through the use of re-pricing gap analysis and 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.

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 4%. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put 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. Our housing loans at year-end fiscal 2016 were primarily floating rate loans where any change in the benchmark rate with reference to which these loans are priced, is generally passed on to the borrower on the first day of the succeeding quarter or succeeding month, as applicable.

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 set 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.

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 will be priced with reference to a new internal benchmark to be called 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.

We generally seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement. 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 wholesale 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 asset and liability positions. 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 entering into swaps 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.

**At March 31, 2016<sup>(1)</sup>**

**Total**

	<b>Less than or equal to one year</b>	<b>Greater than one year and up to five years</b>	<b>Greater than five years</b>	
	<b>(in millions)</b>			
Loans, net	Rs. 4,170,302	Rs. 683,708	Rs. 83,281	Rs. 4,937,291
Investments	482,289	559,098	1,819,054	2,860,441
Other assets <sup>(2)</sup>	403,311	128,751	773,048	1,305,110
Total assets	5,055,902	1,371,557	2,675,383	9,102,842
Stockholders' equity and preference share capital	—	—	941,107	941,107
Borrowings	1,189,828	817,429	196,520	2,203,777
Deposits	2,283,639	1,989,173	237,962	4,510,774
Other liabilities	—	—	1,531,904	1,531,904
Total liabilities	3,473,467	2,806,602	2,907,493	9,187,562
Total gap before risk management positions	1,582,435	(1,435,045)	(232,110 )	(84,720 )
Off-balance sheet positions <sup>(3)</sup>	(375,047 )	309,422	60,819	(4,806 )
Total gap after risk management positions	Rs. 1,207,388	Rs. (1,125,623)	Rs. (171,291 )	Rs. (89,526 )

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 (1) 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) The categorization for these items is different from that reported in the financial statements.

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

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, 2016		
	Fixed	Variable	Total
	rate loans	rate loans	
	(in millions)		
Loans	Rs. 786,024	Rs. 2,775,356	Rs. 3,561,380

The following table sets forth, using the balance sheet at year-end fiscal 2016 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2017, assuming a parallel shift in the yield curve at year-end fiscal 2016.

	At March 31, 2016			
	Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in millions)			
Rupee portfolio	Rs. (8,612)	Rs. (4,306)	Rs. 4,306	Rs. 8,612
Foreign currency portfolio	(1,305)	(653)	653	1,305
Total	Rs. (9,917)	Rs. (4,959)	Rs. 4,959	Rs. 9,917

Based on our asset and liability position at year-end fiscal 2016, the sensitivity model shows that net interest income from the banking book for fiscal 2017 would rise by Rs. 9.9 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 2017 would fall by an equivalent amount of Rs. 9.9 billion. Based on our asset and liability position at year-end fiscal 2015, the sensitivity model showed that net interest income from the banking book for fiscal 2016 would rise by Rs. 8.4 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 2016 would fall by an equivalent amount of Rs. 8.4 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 2016 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, 2016					
Change in interest rates (in basis points)					
Portfolio	(100)	(50)	50	100	
Size					
(in millions)					
Indian government securities	Rs. 149,082	Rs. 5,867	Rs. 2,958	Rs. (2,958)	Rs. (5,867)
Corporate debt securities	143,476	1,534	776	(776 )	(1,534)
Total	Rs. 292,558	Rs. 7,401	Rs. 3,734	Rs. (3,734)	Rs. (7,401)

**At March 31, 2016****Change in interest rates (in basis points)**

<b>Portfolio</b>	<b>(100)</b>	<b>(50)</b>	<b>50</b>	<b>100</b>
<b>Size</b>				

**(in millions)**

Foreign government securities	Rs.15,863	Rs.77	Rs.38	Rs.(38)	Rs.(77)
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At year-end fiscal 2016, the total value of our fixed income trading portfolio, including foreign government securities was Rs. 308.4 billion. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 7.5 billion. Conversely, if interest rates fall by 100 basis points, the value of this portfolio would rise by Rs. 7.5 billion. At year-end fiscal 2015, the total value of our fixed income trading portfolio was Rs. 277.1 billion. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would fall by Rs. 7.4 billion. Conversely, if interest rates fell by 100 basis points the value of this portfolio would rise by Rs. 7.4 billion.

The total outstanding notional principal amount of our trading interest rate derivatives portfolio increased from Rs. 3,971.7 billion at year-end fiscal 2015 to Rs. 4,279.4 billion at year-end fiscal 2016. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 0.5 billion. The total outstanding notional principal amount of our trading currency derivatives (such as futures, options and cross currency interest rate swaps) decreased from Rs. 1,020.3 billion at year-end fiscal 2015 to Rs. 939.4 billion at year-end fiscal 2016. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would rise by Rs. 1.6 billion. The total outstanding notional principal amount of our trading foreign exchange portfolio increased from Rs. 2,529.6 billion at year-end fiscal 2015 to Rs. 3,220.9 billion at year-end fiscal 2016. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would rise by Rs. 17 million.

*Equity Risk*

We assume equity risk both as part of our investment book and our trading book. At year-end fiscal 2016, we had a total equity investment portfolio of Rs. 75.2 billion, primarily comprising Rs. 16.6 billion of investments by ICICI Bank and Rs. 57.1 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. 0.2 billion and other equity investments amounting to Rs. 16.4 billion. These other equity investments are primarily unlisted and 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 2016.

	High	Low	Average	At March 31, 2016
	Rs. in million			
Value-at-risk	204.9	15.8	49.9	17.7
72				

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 2016, hypothetical losses exceed the value-at-risk estimates for four days. An analysis of these four outliers revealed that these losses occurred on days 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 2016.

	On	
	March	
Average	31,	
	2016	
	Rs. in million	
Hypothetical daily profit/(loss)	(2.5 )	9.1
Value-at-risk	49.9	17.7

The high and low hypothetical daily profit/(loss) during fiscal 2016 was Rs. 174.4 million and Rs. (261.7) 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. 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. 12 million and Rs. 11 million at year-end fiscal 2016 and year-end fiscal 2015 respectively. 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. 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.

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.

#### *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 2016 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, 2016			
	Change in credit spread (in basis points)			
Portfolio	(100)	(50)	50	100
Size				
(in millions)				
Corporate debt securities	Rs. 143,476	Rs. 1,534	Rs. 776	Rs. (776)
				Rs. (1,534)

At year-end fiscal 2016, our held for trading portfolio (excluding government securities) was Rs. 143.5 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 2015, our held for trading portfolio (excluding government securities) was Rs. 136.7 billion. The sensitivity model showed that if credit spreads increased by 100 basis points, the value of this portfolio would fall by Rs. 1.9 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 1.9 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 risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

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 and CEO, Executive Directors, Presidents, Chief Financial Officer, Senior General Managers in charge of Risk and Treasury and heads of business groups. 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 the buyers' credit and other 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 retail deposits, 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 their statutory liquidity ratio at a level of 21.0% effective July 9, 2016 (21.5% on March 31, 2016) of its net demand and time liabilities in India and their cash reserve ratio at a level of 4.0% of its net demand and time liabilities in India. The Bank generally holds additional securities over and above the stipulated level. The statutory liquidity ratio is scheduled to come down progressively by 25 basis points every quarter in fiscal 2017 to 20.5%. Further, banks in India were required to maintain a liquidity coverage ratio at a minimum of 60.0% for the calendar year 2015. Effective January 1, 2016, the liquidity coverage ratio requirement rose to a minimum of 70.0% for the calendar year 2016 and will further increase in a phased manner to 100.0% from January 1, 2019. During fiscal 2016, the Bank maintained a liquidity coverage ratio above the stipulated level.

Further, 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 considers 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 2016, 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 raises funding through wholesale and retail sources. Wholesale sources comprise issuance of bonds through a Medium Term Note programme, bilateral and club loans as well as repo borrowings. In the retail segment, it raises deposits through its branch network as well as 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 (PS 11/15) 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 the Bank is required to maintain Liquidity Coverage Ratio, 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. Additionally, Prudential Regulation Authority adopted an interim Pillar 2 approach, in which it specified the Bank to hold high quality liquid assets for add-ons specified in the existing Individual liquidity guidance for the Bank. These add-ons are for specific risks which were not captured in Liquidity Coverage Ratio.

Canadian regulations impose no liquidity pool requirements or liquidity buffer requirements on regulated Canadian banks, including ICICI Bank Canada. However, the Office of the Superintendent of Financial Institutions expects each such 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.

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. For a discussion on our vulnerability to operational risk, see "*Risk Factors—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*".

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 new products/process or modifications to existing products/processes are approved 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.

#### Operational Controls and Procedures in Retail Banking

Retail banking is organized into a zonal structure and each of the zones are headed by senior officials of the Bank. There are designated product, sales, credit and operations structure for customer sourcing and servicing.

The branches are supported by regional/centralized processing centers which ensure adequate operational controls.

We have put in place comprehensive operating manuals detailing procedures for the processing of various banking transactions. Amendments to these manuals are implemented through circulars, which are accessible to our branch employees on our intranet. In addition, our branches are supported by product, marketing, audit and compliance teams.

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

Transactions relating to customer accounts are processed based on built-in system checks and authorization procedures. Cash transactions over a specified limit are subjected to enhanced scrutiny to avoid potential money laundering.

#### Operational Controls and Procedures for Internet Banking

The Bank has put in place adequate authentication and authorization controls for transactions through internet banking. 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 us. 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 password-based authentication besides other authentications present on the card. Text message alerts are also sent to the customer for internet-based transactions beyond a threshold level. To create awareness among customers about phishing, vishing and other internet-related frauds, we regularly send e-mails to the customers. 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.

#### 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 clearing checks 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 35 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 the issuance of debit cards, mailing of personal identification numbers, issuance of passwords to internet banking customers and internet banking bill payments and processing of credit card transactions. Centralized processing has also been extended to activities like issuance of personalized checkbooks and the activation of newly opened accounts.

#### 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 our treasury operations is designed to prevent errors and potential fraud and provide early-warning signals.

### 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, accounting and reconciliation, payouts and repayment management activities for all retail asset products.

### Operational Controls and Procedures for Corporate 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. Operations regarding corporate banking products and services are supported by the middle office and back office with well-defined process ownership. The key processes and their ownership are documented through process notes which are reviewed periodically. The middle office conducts verification and scrutiny of the documents and memos to ensure mitigation of post-approval risks. It also monitors adherence to the terms of approval by periodically publishing compliance monitoring reports. The back office in corporate operations comprises units responsible for the execution of trade finance, cash management and general banking transactions based on the requests and instructions initiated through channels including branches.

### Operational Controls and Procedures for Commercial Banking

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 mega 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 Rural Banking

The Bank's rural banking operations include meeting the financial requirements of customers in rural and semi-urban locations, primarily engaged in agriculture and allied activities. The Bank also focuses on enrollment of beneficiaries under government social schemes. There are designated product, sales, credit and operations structure for the rural banking segment. The customers are offered various products by the sales and business teams and there are various processes and controls performed by independent teams such as Credit Monitoring Group and Operations Group with well-defined process ownership. There are independent monitoring and controls on the quality of the commodities pledged and title of the land considered as collateral. Hind sighting is also carried out to check the effectiveness of the processes.

#### 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/subsidiaries; 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 into high, medium and low risk segments; 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.

Our Know-Your-Customer procedures take into account the risk assessment of product and customer segments, with basic due diligence performed for low risk, enhanced due diligence performed 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 ensuring compliance with the obligations imposed under of Chapter IV 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 has 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. We have filed an appeal against the penalty.

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. See *"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 price 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 9001-2008. 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 ensure 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*” and “*Risk Factors—Risks relating to Our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*”.

## 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

ICICI Bank UK is primarily exposed to credit risk, market risk (including interest and liquidity risks), operational risk, compliance and reputation risk.

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 with the first review by the commercial officer proposing the transaction and the proposal is then reviewed independently and assessed by a credit officer from within 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 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, 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.

ICICI Bank UK 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 as approved by the Board in the Internal Liquidity Adequacy Assessment process. ICICI Bank UK maintains high quality liquid assets to comply with the liquidity coverage requirements stipulated by the Prudential Regulation Authority.

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 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 Credit and Recovery Policy. The Management Credit Committee approves credit proposals before recommending them to Risk Committee, manages the credit risk on a portfolio basis and reviews asset quality and portfolio quality on a monthly basis and the same is presented to the Risk Committee at least on a quarterly 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 ensuring 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 ensuring 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 investment portfolio as well as the credit risk it carries on its reinsurers. In respect of business risk, ICICI Lombard General Insurance seeks to diversify its insurance portfolio across product classes, industry sectors and geographical regions. ICICI Lombard General Insurance focuses on achieving a balance between the corporate and retail portfolio mix to achieve favorable claim ratio and risk diversification. ICICI Lombard General Insurance 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 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 entity is restricted to 5.0% of the portfolio, or 7.5% of subscribed share capital, free reserves and debentures/bonds of the entity and to any industry to 15.0% of the portfolio.

## Controls and Procedures

We have carried out an evaluation under the supervision and with the participation of management, including the Managing Director and Chief Executive 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 2016.

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 published financial statements and net income and stockholders' equity reconciliation statements, in accordance with respective applicable Generally Accepted Accounting Principles.

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 2016 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 2016. Effectiveness of our internal control over financial reporting at year-end fiscal 2016 has been audited by KPMG, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

#### 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 13.1% from Rs. 4,507.5 billion at year-end fiscal 2015 to Rs. 5,097.9 billion at year-end fiscal 2016. At March 31, 2016, approximately 69.2% 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, 2012 (in millions)	2013	2014	2015	2016	2016
<b>Consumer loans and credit card receivables<sup>(1)</sup></b>	Rs.1,040,975	Rs.1,181,588	Rs.1,470,783	Rs.1,762,154	Rs.2,153,561	US\$32,507
Rupee	946,778	1,068,305	1,251,032	1,534,281	1,895,734	28,615

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Foreign currency <sup>(2)</sup>	94,197	113,283	219,751	227,873	257,827	3,892
<b>Commercial<sup>(3)</sup></b>	1,967,210	2,204,054	2,494,150	2,745,376	2,944,355	44,443
Rupee	1,006,863	1,193,433	1,310,457	1,493,578	1,631,734	24,630
Foreign currency	960,347	1,010,621	1,183,693	1,251,798	1,312,621	19,813
<b>Leasing and related activities<sup>(4)</sup></b>	—	—	-	-	-	-
Rupee	—	—	-	-	-	-
Foreign currency	—	—	-	-	-	-
Gross loans	3,008,185	3,385,642	3,964,933	4,507,530	5,097,916	76,950
Rupee	1,953,641	2,261,738	2,561,488	3,027,859	3,527,468	53,245
Foreign currency	1,054,544	1,123,904	1,403,445	1,479,671	1,570,448	23,705
Total gross loans	3,008,185	3,385,642	3,964,933	4,507,530	5,097,916	76,950
Allowance for loan losses	(86,931 )	(85,901 )	(91,515 )	(122,629 )	(160,625 )	(2,425 )
Net loans	Rs.2,921,254	Rs.3,299,741	Rs.3,873,418	Rs.4,384,901	Rs.4,937,291	US\$74,525

(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. 91.8 billion at March 31, 2016.

(3) Includes builder financing and dealer financing.

(4) Leasing and related activities includes leasing and hire purchase.

Our gross rupee loans increased from Rs. 3,027.8 billion constituting 67.2% of our total gross loans at year-end fiscal 2015 to Rs. 3,527.5 billion constituting 69.2% of our total gross loans at year-end fiscal 2016 primarily due to an increase in consumer loans and credit card receivables. Our gross foreign currency loans increased from Rs. 1,479.7 billion, constituting 32.8% of our total gross loans at year-end fiscal 2015 to Rs. 1,570.4 billion, constituting 30.8% of our total gross loans at year-end fiscal 2016 primarily due to the impact of the depreciation of the rupee against the U.S. dollar, an increase in the insured mortgage portfolio of ICICI Bank Canada and an increase in commercial loans of ICICI Bank UK. See also “*Operating and Financial Review and Prospects—Financial Condition—Advances*”.

At year-end fiscal 2016, 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 2.5% to 3.0% of our assets. We had outstanding cross-border loans to U.S. 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—If we are not able to control the level of non-performing assets in our portfolio, 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 loan against 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 seeks collateral valued at 125% to 150% of the loan amount 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. 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. In fiscal 2003, the Indian Parliament passed the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, subsequently amended, which strengthened the ability of 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, is expected, when finally implemented, to simplify the process and enable early resolution as it provides for a time-bound revival and rehabilitation mechanism. See also “*Overview of the Indian Financial Sector—Structural Reforms—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. 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 2016, we were in compliance with these guidelines.

In addition, the Bank has refined and strengthened its framework for managing concentration risk with respect to single borrower and group exposures with tighter limits on lower rated borrowers and group exposure limits.

At year-end fiscal 2016, our largest non-bank borrower accounted for approximately 13.1% of our capital funds. The largest group of companies under the same management control accounted for approximately 28.4% of our capital funds.

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

	At March 31, 2012		2013		2014		2015		2016
	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %	Amount
(in millions, except percentages)									
Retail finance <sup>(1)</sup> , (2)	Rs. 1,183,925	39.4 %	Rs. 1,290,184	38.1 %	Rs. 1,621,267	40.9 %	Rs. 1,956,857	43.4 %	Rs. 2,291,184
Roads, port, telecom, urban development & other infrastructure	196,855	6.5	227,966	6.7	271,869	6.9	260,526	5.8	271,869
Power	153,841	5.1	200,452	5.9	237,912	6.0	260,204	5.8	237,912
Services —non finance	233,325	7.8	243,298	7.2	266,016	6.7	286,844	6.4	266,016
Iron/steel and iron/steel products	132,311	4.4	173,350	5.1	200,754	5.1	233,712	5.2	200,754
Services —finance	152,184	5.1	155,201	4.6	127,735	3.2	146,879	3.2	127,735
Wholesale/retail trade	54,985	1.8	70,752	2.1	83,757	2.1	137,036	3.0	83,757
Metal & products (excluding iron & steel)	68,587	2.3	63,650	1.9	93,121	2.3	112,766	2.5	93,121
Construction	60,408	2.0	73,443	2.2	89,316	2.3	107,610	2.4	89,316
Crude petroleum/refining & petrochemicals	77,804	2.6	95,729	2.8	127,887	3.2	140,852	3.1	127,887
Cement	48,149	1.6	72,156	2.1	79,019	2.0	92,581	2.1	79,019
Food & beverages	86,473	2.9	92,257	2.7	82,020	2.1	77,592	1.7	82,020
Mining	86,802	2.9	83,086	2.5	65,455	1.7	80,037	1.8	65,455
Electronics & engineering	65,576	2.2	73,835	2.2	96,717	2.4	81,599	1.8	96,717
Shipping	42,894	1.4	45,257	1.3	59,459	1.5	67,480	1.5	59,459
Gems & jewelry	32,749	1.1	38,001	1.1	44,845	1.1	45,047	1.0	44,845
Chemicals and fertilizers	42,924	1.4	43,070	1.3	38,299	1.0	31,254	0.7	38,299
Others <sup>(3)</sup>	288,393	9.6	343,955	10.2	379,485	9.5	388,654	8.6	379,485
Gross loans	3,008,185	100.0 %	3,385,642	100.0 %	3,964,933	100.0 %	4,507,530	100.0 %	3,964,933
Allowance for loan losses	(86,931 )		(85,901 )		(91,515 )		(122,629 )		(91,515 )
Net loans	Rs. 2,921,254		Rs. 3,299,741		Rs. 3,873,418		Rs. 4,384,901		Rs. 3,873,418

(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. 91.8 billion at March 31, 2016.

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

Our gross loan portfolio increased by 13.1% from Rs. 4,507.5 billion at year-end fiscal 2015 to Rs. 5,097.9 billion at year-ended fiscal 2016. Retail finance increased from 43.4% of gross loans at year-end fiscal 2015 to 46.8% of gross loans at year-end fiscal 2016. The aggregate net increase in advances to power, roads, ports, telecom, urban development & other infrastructure, iron/steel & products, metal & products (excluding iron & steel) and mining sectors was primarily in the 'A- and above' category based on our internal ratings. The increase in advances to these sectors also included the impact of currency depreciation during fiscal 2016, on the rupee equivalent of foreign currency denominated advances made by our overseas branches.

At year-end fiscal 2016, our 20 largest borrowers accounted for approximately 10.8% of our gross loan portfolio, with the largest borrower accounting for approximately 1.2% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 4.0% 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 2016.

#### 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 and is computed with reference to the outstanding amount at March 31 of

the previous year as prescribed by the Reserve Bank of India guidelines 'Master Circular - Priority Sector Lending - Targets and Classification'. Further, the Reserve Bank of India allowed loans extended in India against incremental foreign currency non-resident (bank)/non-resident external deposits from July 26, 2013 and outstanding at March 7, 2014 to be excluded from adjusted net bank credit. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding investments in Rural Infrastructure Development Fund and other specified funds at March 31 of the fiscal year to be classified as "indirect agriculture" and 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. In fiscal 2015, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure and low-cost housing. The amount raised by way of these bonds is permitted to be excluded from the adjusted net bank credit for the purpose of computing priority sector lending targets.

The priority sectors include the agricultural sector, food and agri-based industries, small enterprises/businesses and housing finance up to certain limits. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their adjusted net bank credit to the agriculture sector and the balance to certain specified sectors. Banks are also required to lend 10.0% of their adjusted net bank credit, to certain borrowers under the “weaker section” category.

In April 2015, the Reserve Bank of India issued revised guidelines on priority sector lending. Under the revised guidelines, the overall target for priority sector lending would continue to be 40% of the adjusted net bank credit; sub-targets for direct and indirect lending to agriculture were combined; and sub-targets of 8.0% for lending to small & marginal farmers and 7.5% lending target to micro-enterprises were introduced. These sub-targets are to be achieved in a phased manner by March 2017. Sectors qualifying for priority sector lending have been broadened to include medium enterprises, social infrastructure and renewable energy. Priority sector lending achievement would be evaluated on a quarterly average basis from fiscal 2017 instead of only at the year-end. Further, in July 2015, 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 11.57% of adjusted net bank credit for fiscal 2016. The Reserve Bank of India would notify the banks of the banking system’s average level at the beginning of each year. 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.

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 2016, our total investment in such funds was Rs. 280.6 billion, which was fully eligible for consideration in overall priority sector achievement.

At year-end fiscal 2016, ICICI Bank’s priority sector lending was Rs. 1,311.9 billion, constituting about 40.8% of adjusted net bank credit against the requirement of 40.0% of adjusted net bank credit. At that date, the qualifying total agriculture loans were Rs. 545.8 billion, constituting about 17.0% of adjusted net bank credit against the requirement of 18.0% of adjusted net bank credit. ICICI Bank’s loans to weaker sections were Rs. 204.4 billion, constituting about 6.3% of adjusted net bank credit against the requirement of 10.0% of adjusted net bank credit. Out of the agriculture loans, lending to small and marginal farmers were Rs. 125.5 billion, constituting 3.9% of adjusted net bank credit against the requirement of 7.0% of adjusted net bank credit. Our lending to non-corporate farmers constituted 8.1% of adjusted net bank credit against the requirement of 11.57% of adjusted net bank credit. The lending to micro enterprises was Rs. 217.9 billion, constituting 6.8% of adjusted net bank credit against the requirement of 7.0% of adjusted net bank credit. See also “*Supervision and Regulation—Directed Lending—Priority Sector Lending*”.

The following table sets forth ICICI Bank's priority sector loans, classified by the type of borrower, at the last day of fiscal 2016.

	At March 31, 2016			
	Amount		% of total priority sector lending	% of adjusted net bank credit
	(in billion, except percentages)			
Agricultural sector <sup>(1)</sup>	Rs. 545.8	US\$8	41.6 %	17.0 %
Small enterprises	456.1	7	34.8	14.2
Others including eligible residential mortgage loans less than Rs. 2.5 million	310.0	5	23.6	9.6
Total	Rs. 1,311.9	US\$20	100.0%	40.8 %

Small enterprises include enterprises engaged in manufacturing/processing and whose investment in plant and (1) machinery does not exceed Rs. 50 million and enterprises engaged in providing/rendering of services and whose investment in equipment does not exceed Rs. 20 million.

## 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, 2016, ICICI Bank's export credit was Rs. 59.0 billion, which amounted to 1.7% 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 set 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 9.35% per annum payable monthly, effective October 5, 2015 (ICICI Bank's base rate was 10.00% at March 31, 2015, which was reduced to 9.75% effective April 9, 2015 and to 9.70% effective June 26, 2015).

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 a new internal benchmark to be called marginal cost of funds based lending rate. Banks are required to publish marginal cost of funds based lending rates for various tenures same 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 April 1, 2016 was between 9.0%-9.2%.

#### Classification of Loans

We classify our assets, including those in our overseas branches, as performing and non-performing in accordance with the Reserve Bank of India's guidelines except in the case of ICICI Home Finance Company and our overseas banking subsidiaries. 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 in the infrastructure sector and non-infrastructure sector) 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. For infrastructure projects, a loan is classified as non-performing if it fails to commence commercial operations within two years from the documented date of commencement and for non-infrastructure projects, the loan is classified as non-performing if it 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 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. This extension would be in addition to the extension of the period for completion of the projects as described above.

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—Reserve Bank of India Regulations—Loan Loss Provisions and Non-Performing Assets—Asset Classification*”.

## Restructured Loans

The Reserve Bank of India has separate guidelines for restructured loans. 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 in the infrastructure sector and non-infrastructure sector) 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 in the infrastructure sector and the non-infrastructure sector 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.

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

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

In June 2015, the Reserve Bank of India issued guidelines on strategic debt restructuring. The guidelines provide for conversion of debt into equity which results in majority ownership of the borrower by banks. On conversion of debt into equity, banks are allowed to continue with the current asset classification for an 18-month period (stand-still benefit). On transfer of ownership to a new management, the asset can be upgraded to the standard category and refinancing of the debt is allowed without such refinancing being treated as a restructuring. However, in the event a new sponsor is not identified within the 18-month period, the bank has to revert to the earlier asset classification norm as was applicable prior to the stand-still in asset classification. In September 2015, the Reserve Bank of India allowed banks to upgrade the credit facilities extended by banks to standard category even in the event of a change in ownership of the borrower outside strategic debt restructuring. Considering the change in risk profile following the change in management, banks are allowed to refinance the existing debt without treating it as restructuring subject to the bank making provisions for any diminution in fair value of the existing debt. In February 2016, the Reserve Bank of India further revised its guidelines with regard to strategic debt restructuring allowing banks to classify the asset as standard upon divesting 26.0% of the shares of the company, which is lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters.

As an additional measure to strengthen the ability of banks to deal with large stressed assets, in June 2016 the Reserve Bank of India issued guidelines introducing the Scheme for Sustainable Structuring of Stressed Assets. Projects that have commenced commercial operations and have aggregate borrowings (including interest) of over Rs. 5.0 billion are eligible to be structured under the scheme. The sustainable debt level should not be less than 50.0% of current funded liabilities. The scheme will be applicable where the Joint Lenders’ Forum assesses the sustainable debt and concludes based on a techno-economic viability assessment that the current sustainable debt can be serviced over its tenor at current levels of cash flows. The portion assessed as unsustainable will be converted into equity or redeemable cumulative optionally convertible preference shares or convertible debentures and may attract higher provisioning. The scheme may include allowing the current promoter to continue with majority shareholding, or bringing in a new promoter, or lenders acquiring majority shareholding through conversion of debt into equity.

See also “*Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Restructured Loans*”.

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 directed a number of Indian banks, including us, to make an additional provision of 10.0% in fiscal 2017 for certain restructured loan accounts. The total amount of such restructured loan accounts (gross) in our portfolio was approximately Rs. 35.8 billion at year-end fiscal 2016. See “*Operating and Financial Review and Prospects—Provisions and contingencies (excluding tax provisions)—Provisions for Non-performing Assets and Restructured Loans*”.

## Provisioning and Write-Offs

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

Standard assets:	<p>The 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 –</p> <ul style="list-style-type: none"> <li>· farm credit to agricultural and the Small and Micro Enterprise sectors, which attract a provisioning requirement of 0.25%,</li> <li>· advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively,</li> <li>· 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%.</li> </ul>
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In May 2013, the Reserve Bank of India increased the standard asset provisioning on restructured loans to 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 up-gradation. In November 2012, the Reserve Bank of India increased the standard asset provision on restructured loans from 2.00% to 2.75%.

Standard asset provisions on accounts restructured from June 1, 2013 have been increased to 5.0%. The standard asset provision required on accounts restructured before June 1, 2013 has been increased to 3.5% from March 31, 2014, 4.25% from March 31, 2015 and would be further increased to 5.0% from March 31, 2016.

Under the guidelines issued by the Reserve Bank of India, additional provision of up to 0.80% is required to be made starting April 1, 2014, on amounts due from entities having unhedged foreign currency exposure. Further, accelerated provision of 5.0% is required on the outstanding amount for loans with principal or interest payment overdue between 61-90 days where there is a delay in forming Joint Lenders Forum or delay in finalizing Corrective Action Plan as per the extant guidelines of the Reserve Bank of India. 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. See also "*Overview of the Indian Financial Sector - Legislative Framework for Recovery of Debts due to Banks - Joint Lenders' Forum*".

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. 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.

### *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 levels 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 Bank of Rajasthan upon amalgamation.

For restructured loans, provisions are made in accordance with the restructuring guidelines issued by the Reserve Bank of India. The Bank's provisioning coverage ratio at year-end fiscal 2016 computed as per the Reserve Bank of India guidelines mentioned above was 50.6%.

The Reserve Bank of India guidelines does 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 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*

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us.

In subsequent years, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. 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. Against this backdrop, our strategic focus was to maintain an optimal balance among profitability, risk management and growth across various businesses. During this period, we adopted a cautious approach to loan growth in the corporate segment while closely monitoring asset quality, and pursued growth in the retail portfolio.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets.

The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results. In addition, 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 and provisions during the second half of fiscal 2016. Indian banks in general have become more cautious in their approach to corporate lending given the above developments. Further, large banks in the public sector have also moderated their loan growth substantially in view of their relatively lower levels of capital adequacy and losses in fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. See also “*Risk Factors—Risks Relating to Our Business—If the regulator continues to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”, “*Risk Factors—Risks Relating to Our Business—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*”, “*Business—Strategy*” and “*Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2016*”.

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—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*” and “*Business—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, 2012 Amount (in millions, except percentages)	2013 Amount	2014 Amount	2015 Amount	2016 Amount	Amount
<b>Consumer loans &amp; credit card receivables<sup>(1)</sup></b>	Rs.67,356	Rs.49,156	Rs.32,968	Rs.25,504	Rs.26,757	US\$404

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Rupee	66,915	48,891	32,701	25,504	26,756	404
Foreign currency	441	265	267	—	1	—
<b>Commercial<sup>(2)</sup></b>	39,673	57,914	89,929	148,296	266,389	4,021
Rupee	27,616	42,939	61,481	99,288	155,482	2,347
Foreign currency	12,057	14,975	28,448	49,008	110,907	1,674
Leasing and related activities	95	95	97	70	70	1
Rupee	95	95	97	70	70	1
Foreign currency	—	—	—	—	—	—
Total						
non-performing assets	107,124	107,165	122,994	173,870	293,216	4,426
Rupee	94,626	91,925	94,279	124,862	182,308	2,752
Foreign currency	12,498	15,240	28,715	49,008	110,908	1,674
<b>Gross non-performing assets<sup>(3),(4)</sup></b>	107,124	107,165	122,994	173,870	293,216	4,426
Provision for loan losses	(79,875 )	(78,016 )	(78,366 )	(96,655 )	(145,431 )	(2,195 )
Net non-performing assets	Rs.27,249	Rs.29,149	Rs.44,628	Rs.77,215	Rs.147,785	US\$2,231
Gross customer assets <sup>(3)</sup>	Rs.3,531,625	Rs.4,001,517	Rs.4,615,808	Rs.5,149,278	Rs.5,718,339	US\$86,315
Net customer assets	Rs.3,443,817	Rs.3,914,869	Rs.4,523,471	Rs.5,026,019	Rs.5,556,942	US\$83,878
Gross non-performing assets as a percentage of gross customer assets	3.0 %	2.7 %	2.7 %	3.4 %	5.1 %	
Net non-performing assets as a percentage of net customer assets	0.8 %	0.7 %	1.0 %	1.5 %	2.7 %	

(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.<sup>(1)</sup>

Particulars	2012 (in millions)	2013	2014	2015	2016	2016
<b>A. Consumer loans &amp; credit card receivables<sup>(2),(3)</sup></b>						
Non-performing assets at the beginning of the fiscal year	Rs. 71,778	Rs. 67,356	Rs. 49,156	Rs. 32,968	Rs. 25,504	US\$ 385
Addition: New non-performing assets during the year	18,604	9,927	12,759	13,030	16,979	256
Less:						
Upgrade <sup>(4)</sup>	(4,927 )	(3,995 )	(3,314 )	(4,425 )	(6,323 )	(95 )
Recoveries (excluding recoveries made from upgraded accounts)	(11,461 )	(8,793 )	(6,049 )	(7,505 )	(6,626 )	(100 )
Write-offs	(6,638 )	(15,339 )	(19,584 )	(8,564 )	(2,777 )	(42 )
Non-performing assets at the end of the fiscal year	Rs. 67,356	Rs. 49,156	Rs. 32,968	Rs. 25,504	Rs. 26,757	US\$ 404
<b>B. Commercial<sup>(5)</sup></b>						
Non-performing assets at the beginning of the fiscal year	Rs. 39,641	Rs. 39,673	Rs. 57,914	Rs. 89,929	Rs. 148,296	US\$ 2,238
Addition: New non-performing assets during the year	17,183	28,992	40,839	77,915	161,423	2,437
Less:						
Upgrade <sup>(4)</sup>	(3,485 )	(4,083 )	(1,055 )	(1,500 )	(5,181 )	(78 )
Recoveries (excluding recoveries made from upgraded accounts)	(7,995 )	(3,947 )	(5,200 )	(7,434 )	(8,727 )	(132 )
Write-offs	(5,671 )	(2,721 )	(2,569 )	(10,614 )	(29,422 )	(444 )
Non-performing assets at the end of the fiscal year	Rs. 39,673	Rs. 57,914	Rs. 89,929	Rs. 148,296	Rs. 266,389	US\$ 4,021
<b>C. Leasing and related activities</b>						
Non-performing assets at the beginning of the fiscal year	Rs. 156	Rs. 95	Rs. 95	Rs. 97	Rs. 70	US\$ 1
Addition: New non-performing assets during the year	—	—	2	—	—	—
Less:						
Upgrade <sup>(4)</sup>	—	—	—	—	—	—
Recoveries (excluding recoveries made from upgraded accounts)	(61 )	—	—	(27 )	—	—
Write-offs	—	—	—	—	—	—
Non-performing assets at the end of the fiscal year	Rs. 95	Rs. 95	Rs. 97	Rs. 70	Rs. 70	US\$ 1
<b>D. Total non-performing assets (A+B+C)</b>						
Non-performing assets at the beginning of the fiscal year	Rs. 111,575	Rs. 107,124	Rs. 107,165	Rs. 122,994	Rs. 173,870	US\$ 2,624
Addition: New non-performing assets during the year	35,787	38,919	53,600	90,945	178,402	2,693
Less:						

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Upgrade <sup>(4)</sup>	(8,412 )	(8,078 )	(4,369 )	(5,925 )	(11,504 )	(173 )
Recoveries (excluding recoveries made from upgraded accounts)	(19,517 )	(12,740 )	(11,249 )	(14,966 )	(15,353 )	(232 )
Write-offs	(12,309 )	(18,060 )	(22,153 )	(19,178 )	(32,199 )	(486 )
<b>Non-performing assets at the end of the fiscal year<sup>(5)</sup></b>	Rs. 107,124	Rs. 107,165	Rs. 122,994	Rs. 173,870	Rs. 293,216	US\$4,426

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

Up to 2014, for “Credit card receivables”, the difference between the opening and closing balances of (2) 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.

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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, 2012		2013		2014		2015		2016	
	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	As a percentage of non- performing assets
	(in millions, except percentages)									
Retail finance <sup>(1)</sup>	Rs.78,790	73.6 %	Rs.59,786	55.8 %	Rs.42,793	34.8 %	Rs.35,199	20.2 %	Rs.39,669	
Services—non finance	398	0.4	9,144	8.5	15,598	12.7	25,890	14.9	36,408	
Roads, ports, telecom, urban development & other infrastructure	146	0.1	142	0.1	9,922	8.1	22,781	13.1	30,904	
Shipping	448	0.4	376	0.4	674	0.5	15,000	8.6	19,595	
Iron/steel and products	913	0.9	1,993	1.9	3,795	3.1	9,871	5.7	65,175	
Electronics and engineering	1,805	1.7	3,025	2.8	3,406	2.8	8,775	5.0	3,796	
Construction	893	0.8	2,237	2.1	3,188	2.6	8,686	5.0	23,679	
Textile	1,527	1.4	2,646	2.5	5,078	4.1	7,204	4.1	12,059	
Food and beverages	4,045	3.8	4,595	4.3	7,097	5.8	6,102	3.5	6,771	
Gems & jewelry	2,904	2.7	3,008	2.8	4,081	3.3	5,311	3.1	8,205	
Wholesale/retail trade	1,152	1.1	4,165	3.9	4,064	3.3	4,840	2.8	5,896	
Crude petroleum/refining and petrochemicals	2,819	2.6	2,467	2.3	2,637	2.1	2,750	1.6	2,914	
Chemicals & fertilizers	1,515	1.4	1,772	1.7	1,737	1.4	1,791	1.0	2,053	
Metal & products (excluding iron & steel)	1,366	1.3	1,336	1.2	1,350	1.1	1,719	1.0	2,102	
Mining	611	0.6	804	0.8	900	0.7	1,629	0.9	779	
Power	92	0.1	91	0.1	654	0.5	667	0.4	17,512	
Services—finance	1,265	1.2	1	—	569	0.5	558	0.3	523	
Cement	—	—	—	—	300	0.2	300	0.2	—	
Other Industries <sup>(2)</sup>	6,435	6.0	9,577	8.9	15,151	12.3	14,797	8.6	15,176	
Gross non-performing	Rs.107,124	100.0 %	Rs.107,165	100.0 %	Rs.122,994	100.0 %	Rs.173,870	100.0 %	Rs.293,216	

assets

Aggregate

provision for loan	(79,875 )	(78,016 )	(78,366 )	(96,655 )	(145,431 )
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losses

Net

non-performing	Rs. 27,249	Rs. 29,149	Rs. 44,628	Rs. 77,215	Rs. 147,785
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assets

- (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 FMCG.
- (3) From March 31, 2013, we have changed the classification of the domestic loan portfolio to better reflect the nature of the underlying loans. Accordingly, our loan portfolio for earlier years presented is also reclassified.

See “*Business – 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 2016*”.

The gross additions to non-performing assets including classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms increased from Rs.

90.9 billion during fiscal 2015 to Rs. 178.4 billion during fiscal 2016. In fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms as compared to Rs. 45.1 billion in fiscal 2015. Non-performing assets amounting to Rs. 26.9 billion were upgraded/recovered in fiscal 2016 as compared to Rs. 20.9 billion in fiscal 2015. Non-performing assets amounting to Rs. 32.2 billion were written-off in fiscal 2016 as compared to Rs. 19.2 billion in fiscal 2015. Our gross non-performing assets increased by 68.6% from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. Our net non-performing assets increased by 91.4% from Rs. 77.2 billion at year-end fiscal 2015 to Rs. 147.8 billion at year-end fiscal 2016. The net non-performing asset ratio increased from 1.5% at year-end fiscal 2015 to 2.7% at year-end fiscal 2016.

Gross additions to non-performing commercial loans including classification of restructured loans as non-performing due to failure of the borrowers to perform as per restructured debt terms, increased from Rs. 40.8 billion in fiscal 2014 to Rs. 77.9 billion in fiscal 2015 and further to Rs. 161.4 billion in fiscal 2016. In fiscal 2016, restructured standard commercial loans amounting to Rs. 53.0 billion were classified as non-performing due to the failure of the borrowers to perform as per the restructured debt terms, as compared to Rs. 45.1 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing commercial loans amounting to Rs. 5.2 billion and made recoveries of non-performing commercial loans amounting to Rs. 8.7 billion. During fiscal 2016, based on the borrower-specific evaluation of the possibility of further recovery, commercial loans amounting to Rs. 29.4 billion were written-off. See – “Business – Classification of Loans – Provisioning and write-Offs – Our policy”. Gross non-performing commercial loans increased from Rs. 148.3 billion at year-end fiscal 2015 to Rs. 266.4 billion at year-end fiscal 2016. During fiscal 2016, the corporate sector continued to experience challenges due to lower than anticipated cash flow generation and high leverage. Additionally, during the year, the significant decline in commodity prices adversely impacted commodity-based sectors such as iron & steel. The power sector continued to experience challenges with respect to project completion, capacity utilization and leverage. Further, subdued capital investments in the economy impacted sectors such as construction and iron & steel. During fiscal 2016, there was an increase in gross non-performing assets in the iron & steel and products sector by Rs. 55.3 billion, power sector by Rs. 16.8 billion and construction sector by Rs. 15.0 billion.

Gross additions to non-performing consumer loans were Rs. 17.0 billion in fiscal 2016 as compared to Rs. 13.0 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing consumer loans of Rs. 6.3 billion as compared to Rs. 4.4 billion in fiscal 2015. During fiscal 2016, we made recoveries against non-performing consumer loans of Rs. 6.6 billion and written-off loans of Rs. 2.8 billion. Gross non-performing consumer loans increased from Rs. 25.5 billion at year-end fiscal 2015 to Rs. 26.8 billion at year-end fiscal 2016.

Further, at year-end fiscal 2016, ICICI Bank’s outstanding non-fund based facilities to borrowers whose loans were classified as non-performing were Rs. 28.2 billion.

## **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,										
	2012		2013		2014		2015		2016		
	Amount		Amount		Amount		Amount		Amount		Amount
	(in millions, except percentages)										
Consumer loans & credit card receivables	Rs. 164		Rs. 388		Rs. 297		Rs. 221		Rs. 94		US\$ 1
Rupee	13		152		185		221		94		1
Foreign currency	151		236		112		-		-		-
<b>Commercial<sup>(1)</sup></b>	52,553		66,919		133,151		130,566		98,580		1,488
Rupee	40,319		47,314		83,258		86,694		73,972		1,117
Foreign currency	12,234		19,605		49,893		43,872		24,608		371
Total restructured loans	52,717		67,307		133,448		130,787		98,674		1,489
Rupee	40,333		47,466		83,443		86,915		74,067		1,118
Foreign currency	12,385		19,841		50,005		43,872		24,608		371
Gross restructured loans <sup>(2)</sup>	52,717		67,307		133,448		130,787		98,674		1,489
Provision for loan losses	(4,642 )		(5,294 )		(11,235 )		(9,458 )		(7,581 )		(114 )
Net restructured loans	Rs. 48,075		Rs. 62,013		Rs. 122,213		Rs. 121,329		Rs. 91,093		US\$ 1,375
Gross customer assets <sup>(2)</sup>	Rs. 3,531,625		Rs. 4,001,517		Rs. 4,615,808		Rs. 5,149,278		Rs. 5,718,339		US\$ 86,315
Net customer assets	Rs. 3,443,817		Rs. 3,914,869		Rs. 4,523,471		Rs. 5,026,019		Rs. 5,556,942		US\$ 83,878
Gross restructured loans as a percentage of gross customer assets	1.5	%	1.7	%	2.9	%	2.5	%	1.7	%	
Net restructured loans as a percentage of net customer assets	1.4	%	1.6	%	2.7	%	2.4	%	1.6	%	

(1) Includes working capital finance.

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

Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a (3) borrower where any of the loan facilities have been restructured. Accordingly, numbers for earlier years presented have also been re-classified.

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.

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	At March 31, 2012	2013			2014			2015			2016	
	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	
	(in millions, except percentages)											
Construction Roads, port, telecom, urban development & other infrastructure	Rs. –	–	% Rs. 5,453	8.1	% Rs. 19,168	14.4	% Rs. 34,718	26.5	% Rs. 34,470			
Power	6,695	12.7	16,282	24.2	24,214	18.1	13,580	10.4	15,090			
Drugs and pharmaceuticals	2,648	5.0	3,828	5.7	7,879	5.9	13,378	10.2	2,080			
Services-non finance	7,200	13.7	6,993	10.4	12,574	9.4	12,364	9.5	4,708			
Iron/steel & products	10,891	20.7	8,632	12.8	15,930	11.9	10,515	8.0	2,747			
Electronics & engineering	2,268	4.3	1,913	2.8	11,072	8.3	9,006	6.9	9,517			
Chemicals & fertilizers	457	0.9	3,642	5.4	6,364	4.8	8,351	6.4	7,735			
Services-finance	5,676	10.8	6,261	9.3	7,196	5.4	7,737	5.9	634			
Mining	6,137	11.6	5,595	8.3	4,967	3.7	5,054	3.9	2,239			
Shipping	–	–	–	–	–	–	3,502	2.7	3,936			
Textiles	500	1.0	881	1.3	9,688	7.3	2,270	1.7	3,033			
Food & beverages	1,432	2.7	1,510	2.2	4,435	3.3	1,845	1.4	196			
Wholesale/retail trade	2,069	3.9	720	1.1	1,898	1.4	1,494	1.1	2,519			
Metal & products (excluding iron & steel)	2,177	4.1	1,588	2.4	1,716	1.3	1,269	1.0	–			
Retail finance	–	–	–	–	217	0.2	251	0.2	–			
Manufacturing products (excluding metals)	164	0.3	388	0.6	297	0.2	221	0.2	94			
Cement	2,608	5.0	3,004	4.5	76	0.1	202	0.2	235			
Automobile (including trucks)	341	0.6	320	0.5	–	–	–	–	–			
Crude petroleum/ refining & petrochemicals	19	–	–	–	–	–	–	–	–			
Others	–	–	–	–	–	–	–	–	8,114			
Gross restructured loans	1,435	2.7	297	0.4	5,757	4.3	5,030	3.8	1,327			
	Rs. 52,717	100.0	% Rs. 67,307	100.0	% Rs. 133,448	100	% Rs. 130,787	100	% Rs. 98,674			

Aggregate provision for loan losses	(4,642 )	(5,294 )	(11,235 )	(9,458 )	(7,581 )
Net restructured loans	Rs. <b>48,075</b>	Rs. <b>62,013</b>	Rs. <b>122,213</b>	Rs. <b>121,329</b>	Rs. <b>91,093</b>

(1)

Others primarily include real estate:-

During fiscal 2016, 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. 33.0 billion, as compared to Rs. 50.2 billion during fiscal 2015. Further, during fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 45.1 billion during fiscal 2015. Restructured loans amounting to Rs. 12.1 billion were repaid in fiscal 2016 as compared to Rs. 5.6 billion in fiscal 2015. The gross outstanding standard restructured loans decreased by 24.6% from Rs. 130.8 billion at year-end fiscal 2015 to Rs. 98.7 billion at year-end fiscal 2016 and the net outstanding restructured loans decreased by 24.9% from Rs. 121.3 billion at year-end fiscal 2015 to Rs. 91.1 billion at year-end fiscal 2016. Further, at year-end fiscal 2016, ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 44.0 billion.

Outstanding amount of standard restructured loans in the power sector decreased by Rs. 11.3 billion, services -non finance sector by Rs. 7.8 billion, drugs and pharmaceuticals sector by Rs. 7.7 billion, others sector by Rs. 3.7 billion and services – finance sector by Rs. 2.8 billion. This decrease was primarily due to classification of standard restructured loans into the non-performing category due to failure of the borrowers to perform as per restructured debt terms.

In fiscal 2016, we sold seven commercial loans with aggregate book value (net of provision) of Rs. 6.7 billion to an asset reconstruction company. In fiscal 2015, we sold 14 commercial loans with aggregate book value (net of provision) of Rs. 3.3 billion to an asset reconstruction company. See also “—*Classification of Loans—Non-Performing Asset Strategy*”.

The net standard restructured loans, as a percentage, decreased from 2.4% at year-end fiscal 2015 to 1.6% at year-end fiscal 2016. At year-end fiscal 2016, the outstanding provision for diminution in fair value of restructured loans (including the provision for funded interest) decreased from Rs. 9.5 billion at year-end fiscal 2015 to Rs. 7.6 billion at year-end fiscal 2016. See also “*Risk Factors—Risks Relating to Our Business—The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could affect our business*”. See also “*Operating and Financial Review and Prospects—Provisions for Restructured Loans and Non-performing Assets*”.

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 87.2 billion, or 26.8%, from Rs. 304.7 billion at year-end fiscal 2015 to Rs. 391.9 billion at year-end fiscal 2016. The aggregate net non-performing assets and net restructured loans increased by Rs. 40.4 billion, or 20.4%, from Rs. 198.5 billion at year-end fiscal 2015 to Rs. 238.9 billion at year-end fiscal 2016.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring, for conversion of debt into equity, which results in majority ownership of the borrower by banks. At year-end fiscal 2016, we had implemented strategic debt restructuring in respect of loans aggregating Rs. 29.3 billion, including loans amounting to Rs. 25.6 billion classified as non-performing or standard restructured. Further, in fiscal 2015, 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. The outstanding portfolio of loans for which this refinancing scheme had been implemented was Rs. 42.4 billion at year-end fiscal 2016. These are classified as standard loans. See also “*Supervision and Regulation—Regulations Relating to Advancing Loans*”.

#### 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 and driving consolidation. 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 addition, we focus on proactive management of accounts under supervision. Our strategy constitutes a proactive approach towards identification, aimed at early stage solutions to incipient problems.

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. 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—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies*”. We sold net non-performing assets to asset reconstruction companies amounting to Rs. 0.04 billion in fiscal 2012, Rs. 0.1 billion in fiscal 2013, Rs. 1.5 billion in fiscal 2014, Rs. 3.3 billion in fiscal 2015 and Rs. 6.7 billion in fiscal 2016. At year-end fiscal 2016, we had an outstanding net investment of Rs. 7.9 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 and Rs. 2.5 billion in fiscal 2015.

The Reserve Bank of India guidelines on Revitalising Distressed Assets in February 2014 permitted banks to explore change in management of borrowers who are unable to achieve critical viability milestones stipulated as part of a restructuring of their loans. In June 2015, the Reserve Bank of India issued guidelines which provide banks with enhanced capabilities to initiate change of ownership in accounts borrower companies that are not able to come out of stress due to operational/ managerial inefficiencies despite substantial sacrifices made by the lending banks. In such situations, the guidelines permit banks to undertake at their discretion, a ‘Strategic Debt Restructuring’ and collectively become majority shareholders by converting their loan dues to equity shares of the borrower companies. Banks enjoy regulatory forbearance in terms of asset classification and provisioning while effecting change in ownership under Strategic Debt Restructuring.

In June 2016, the Reserve Bank of India has introduced the Scheme for Sustainable Structuring of Stressed Assets and issued guidelines which seek to strengthen banks’ ability to undertake resolution of large borrower accounts that are facing financial difficulties on account of delays in completing large projects. The scheme aims at enabling lenders to initiate deep financial restructuring, subject to fulfillment of certain conditions, for sustainable revival of projects.

We monitor migration of the credit ratings of our borrowers to enable us to take proactive remedial measures to prevent loans from becoming non-performing. 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 generally stipulate that corporate loans should be collateralized at the date of the loan’s origination. 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 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.<sup>(1)</sup>

	At March 31, 2012	2013	2014	2015	2016	2016
	(in millions)					
<b>A. Consumer loans &amp; credit card receivables</b> <sup>(2),(3)</sup>						
Aggregate provision for loan losses at the beginning of the year	Rs. 56,507	Rs. 56,928	Rs. 42,642	Rs. 25,587	Rs. 16,752	US\$ 253
Add: Provision made during the year	13,839	7,630	7,015	4,580	6,097	92
Less: Provision utilized for write-off	(6,638 )	(15,339)	(19,584)	(8,609 )	(2,778 )	(42 )
Less: Write-back of excess provision	(6,780 )	(6,577 )	(4,486 )	(4,806 )	(4,019 )	(61 )
Aggregate provision for loan losses at the end of the year	Rs. 56,928	Rs. 42,642	Rs. 25,587	Rs. 16,752	Rs. 16,052	US\$ 242
<b>B. Commercial</b> <sup>(4)</sup>						
Aggregate provision for loan losses at the beginning of the year	Rs. 22,838	Rs. 22,852	Rs. 35,279	Rs. 52,682	Rs. 79,833	US\$ 1,205
Add: Provision made during the year	8,548	16,658	21,977	38,278	81,046	1,223
Less: Provision utilized for write-off	(4,930 )	(1,996 )	(2,454 )	(9,107 )	(26,866 )	(405 )
Less: Write-back of excess provision	(3,604 )	(2,235 )	(2,120 )	(2,020 )	(4,704 )	(71 )
Aggregate provision for loan losses at the end of the year	Rs. 22,852	Rs. 35,279	Rs. 52,682	Rs. 79,833	Rs. 129,309	US\$ 1,952
<b>C. Leasing and related activities</b>						
Aggregate provision for loan losses at the beginning of the year	Rs. 156	Rs. 95	Rs. 95	Rs. 97	Rs. 70	US\$ 1
Add: Provision made during the year	—	—	2	—	—	—
Less: Provision utilized for write-off	—	—	—	—	—	—
Less: Write-back of excess provision	(61 )	—	—	(27 )	—	—
Aggregate provision for loan losses at the end of the year	Rs. 95	Rs. 95	Rs. 97	Rs. 70	Rs. 70	US\$ 1
<b>D. Total provision (A+B+C)</b>						
Aggregate provision for loan losses at the beginning of the year	Rs. 79,501	Rs. 79,875	Rs. 78,016	Rs. 78,366	Rs. 96,655	US\$ 1,459
Add: Provision made during the year	22,387	24,288	28,994	42,858	87,143	1,315
Less: Provision utilized for write-off	(11,568)	(17,335)	(22,038)	(17,716)	(29,644 )	(447 )
Less: Write-back of excess provision	(10,445)	(8,812 )	(6,606 )	(6,853 )	(8,723 )	(132 )
Aggregate provision for loan losses at the end of the year	Rs. 79,875	Rs. 78,016	Rs. 78,366	Rs. 96,655	Rs. 145,431	US\$ 2,195

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

Up to 2014, for “Credit card receivables”, the difference between the opening and closing balances of aggregate (2) 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 assets, net of write-back of excess provisions, increased from Rs. 22.4 billion in fiscal 2014 to Rs. 36.0 billion in fiscal 2015 and further to Rs. 78.4 billion in fiscal 2016.

As discussed in “— Classification of Loans—Restructured Loans” and “—Non-Performing Assets”, there has been an increase in additions to non-performing loans across industry sectors in fiscal 2015 and 2016. This has resulted in higher provisions in fiscal 2015 and fiscal 2016. The provisions, net of write-back of excess provisions increased from Rs. 36.0 billion in fiscal 2015 to Rs. 78.4 billion in fiscal 2016, primarily due to higher provision on commercial loans.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank’s exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is 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 RBI guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these sectors.

#### 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 March 31, 2016, the Bank had Rs. 417.7 billion in potential problem loans, which were not classified as non-performing or restructured assets. Potential problem loans at March 31, 2016 primarily included below investment grade loans to power, mining, iron & steel, cement and rigs and certain promoter entities where the underlying is partly linked to these sectors. There are uncertainties in respect of these sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. 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 2016.



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Name	Year of formation	Activity	Ownership interest	Total income <sup>(1)</sup> (in millions, except percentages)	Net worth <sup>(2)</sup>	Total assets <sup>(3)</sup>
ICICI Venture Funds Management Company Limited	January 1988	Private equity/ venture capital fund management	100.00 %	Rs. 699	Rs. 1,976	Rs. 4,208
ICICI Securities Primary Dealership Limited	February 1993	Securities investment, trading and underwriting	100.00 %	13,619	8,669	161,734
ICICI Prudential Asset Management Company Limited	June 1993	Asset management company for ICICI Prudential Mutual Fund	51.00 %	10,124	6,373	8,181
ICICI Prudential Trust Limited	June 1993	Trustee company for ICICI Prudential Mutual Fund	50.80 %	6	13	13
ICICI Securities Limited	March 1995	Securities broking & merchant banking	100.00 %	11,236	3,942	13,920
ICICI International Limited	January 1996	Asset management	100.00 %	15	94	96
ICICI Trusteeship Services Limited	April 1999	Trusteeship services	100.00 %	1	5	5
ICICI Home Finance Company Limited	May 1999	Housing finance	100.00 %	10,714	15,292	93,884
ICICI Investment Management Company Limited	March 2000	Asset management	100.00 %	34	116	130
ICICI Securities Holdings Inc.	June 2000	Holding company	100.00 %	0.1	128	128
ICICI Securities Inc.	June 2000	Securities broking	100.00 %	170	129	202
ICICI Prudential Life Insurance Company Limited	July 2000	Life insurance	67.66 %	209,932	53,248	1,047,662
ICICI Lombard General Insurance Company Limited	October 2000	General insurance	63.82 %	102,158	34,847 <sup>(4)</sup>	156,758
ICICI Bank UK PLC	February 2003	Banking	100.00 %	11,075	36,144	304,989
ICICI Bank Canada	September 2003	Banking	100.00 %	10,090	40,113	333,454
ICICI Prudential Pension Fund Management Company Limited <sup>(5)</sup>	April 2009	Pension fund management	100.00 %	Rs. 24	Rs. 256	Rs. 263

(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 2016.

Edgar Filing: ICICI BANK LTD - Form 20-F

Name	Year of formation	Activity	Ownership interest	Total income <sup>(1)</sup> (in millions, except percentages)	Net worth <sup>(2)</sup>	Total assets <sup>(3)</sup>
ICICI Strategic Investments Fund <sup>(4)</sup>	February 2003	Unregistered venture capital fund	100.00 %	(52 )	482	523
I-Process Services (India) Private Limited <sup>(5)</sup>	April 2005	Services related to back end operations	19.00 %	2,916	(57 )	426
FINO PayTech Limited <sup>(5)</sup>	June 2006	Support services for financial inclusion	27.05 %	1,893	2,834	4,378
NIIT Institute of Finance, Banking and Insurance Training Limited <sup>(5)</sup>	June 2006	Education and training in banking and finance	18.79 %	223	67	95
ICICI Merchant Services Private Limited <sup>(5)</sup>	July 2009	Merchant servicing	19.00 %	2,132	1,268	3,975
India Infradebt Limited <sup>(5)</sup>	October 2012	Infrastructure finance	31.00 %	1,432	3,799	26,225
India Advantage Fund-III <sup>(5),(6)</sup>	June 2005	Venture Capital Fund	24.10 %	654	4,353	4,644
India Advantage Fund-IV <sup>(5),(7)</sup>	August 2005	Venture Capital Fund	47.14 %	Rs. 154	Rs. 3,070	Rs. 3,082

(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’.

(6) This entity has been accounted for as per the equity method from fiscal 2015.

(7) This entity has been accounted for as per the equity method from the three months ended September 30, 2014.

(8) During fiscal 2016, ICICI Equity Fund and I-Ven Biotech Limited ceased to be a consolidating entity and accordingly have not been consolidated.

At year-end fiscal 2016, 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 continue to 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 aim to bring in high levels of functionality to 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, and at the same time continue to improve and strengthen security, infrastructure and networks. 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, headed by a Chief Technology and Digital Officer, which will integrate all the technology teams as well as the digital channels, business intelligence and analytics teams. The technology and digital group will also be 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;

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- 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 a technology management group to provide the required infrastructure, and an innovation lab that will be 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 ensures services all days of the week, throughout the year, to the various delivery channels even if the primary systems are unavailable. We have a state-of-the-art data center in Hyderabad for centralized data base management, data storage and retrieval and a disaster recovery center at Jaipur.

### ***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 2016, we had 13,766 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 2016, 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 and cash withdrawals and also interact with our customer service staff through video-conferencing facilities. At year-end fiscal 2016, we offered tablet banking facilities across 2,013 locations in India. 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 re-designed website offers a seamless and customized experience across multiple devices. It also gives differential experience to different customer segments. 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. During fiscal 2016, we migrated our mobile banking application, iMobile, to a robust framework. The application has been revamped to make it comprehensive and now, offers more than 150 functionalities which are available across all mobile platforms. The first-of-its-kind 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 mutual funds 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 and receive alerts from Google Now and Touch ID (from Apple) as an alternate authentication method for secured login. 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 launched our e-wallet called the “Pockets” in fiscal 2015, 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.

During fiscal 2016, we launched two new 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 India’s first contactless mobile payment solution which allows cashless payments using smartphones, thereby eliminating the need to carry cash or debit and credit cards. We also launched a virtual mobile application development challenge called ‘ICICI Appathon’ during the year 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 program received an overwhelming response with over 2,000 participants from across the globe. We worked closely with the National Payments Corporation of India for the launch of the Unified Payment Infrastructure which will make payments through smartphones more convenient for customers.

### ***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 work

flow 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 launched a comprehensive payments solution for institutional and government customers. We have launched an online tendering platform, supporting multiple payment modes and covering various electronic collection and payment products.

We upgraded our treasury trading infrastructure to a state-of-the-art IP telephony based architecture. We have also enhanced our existing process of automation in the treasury business, thus reducing trading risks and also 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 telephone 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 are in the process of expanding our data center. 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 under live or simulated scenarios. These plans have been prepared in line with the guidelines issued by the Reserve Bank of India and have been approved by our Board of Directors.

### ***Cyber Security***

We have taken a comprehensive approach pertaining to cyber security and have laid down policies, standards and guidelines for ensuring security against cyber threats. We have adopted a defense-in-depth approach to protect our cyber security infrastructure. We have a dedicated in-house Cyber Security Operations Centre for monitoring and handling cyber security incidents.

### **Competition**

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, non-banking finance companies, mutual funds and investment banks. We are the largest private sector bank in India in terms of total assets on a consolidated basis. 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 is primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks have product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller branch network than Indian commercial banks. Foreign banks in aggregate had only 324 branches in India at March 31, 2016. Indian public sector banks have wide distribution networks but generally relatively less strong technology and marketing capabilities while private sector banks have a relatively smaller branch network but stronger technology capabilities. With the implementation of technology-based core banking solutions and mobile-based banking services, public sector banks have become more competitive in

selling products and services to retail customers. In addition, some specialized non-banking finance companies have increased market share in certain segments of retail banking products. We seek to compete in this market through a full product portfolio and effective distribution channels, which include branches, agents, robust credit processes and collection mechanisms, experienced professionals and superior technology.

Commercial banks compete to attract retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalize on our corporate relationships to gain individual customer accounts through payroll management products. In recent years, we have significantly expanded our branch network. We pursue a multi-channel distribution strategy utilizing physical branches, ATMs, telephone banking call centers, mobile banking, tablet banking and the internet 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. 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. We also face competition from non-banking finance companies that are lending in segments in which banks have a presence, including home loans and vehicle loans.

The Reserve Bank of India has 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 in-principle licenses to 11

payments banks, which includes large telecom companies and pre-paid wallet providers (some of whom have subsequently indicated that they would not pursue the establishment of payments banks). In-principle licenses have also been given to 10 small finance banks which include micro-finance non-banking finance companies. Of these, one small finance bank has begun operations and three payments banks have surrendered, or announced their intention to surrender, their licenses. In the monetary policy statement announced on April 5, 2016, the Reserve Bank of India also indicated that it would release a paper on licensing of other differentiated banks such as custodian banks and banks focused on wholesale and long-term financing. The Reserve Bank of India has also released draft guidelines in May 2016 with respect to continuous licensing policy for universal banks as compared to the current 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.

#### 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 finance institutions and non-banking finance companies. We seek to compete in this business based on our product strategy and multiple channels. The Reserve Bank of India has issued licenses to specialized small finance banks and payments banks that are expected to compete in the rural and unorganized sectors.

#### Commercial Banking Products and Services for Corporate Customers

In products and services for corporate customers, we face strong competition primarily from public sector banks, foreign banks and other new private sector banks. Our principal competition in these products and services comes from large public sector banks. Public sector banks and certain private sector banks also have a traditional competitive advantage with respect to the government banking segment. We seek to compete based on our service and prompt turnaround times that we believe are significantly faster than public sector banks. 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, technology and our international presence to compete in treasury-related products and services.

Other new private sector banks, and likely licensing of new differentiated banks focused on wholesale and long-term financing, 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, ICICI's primary competitors were established long-term lending institutions. Indian and foreign commercial banks have also sought to expand their presence in this market. We believe that we have a competitive advantage due to our strong market reputation and expertise in risk evaluation and mitigation. We believe that our in-depth sector specific knowledge and capabilities in understanding risks and policy related issues as well as our advisory, structuring and syndication services have allowed us to gain credibility with project sponsors, overseas lenders and policy makers.

#### 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 joint ventures 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 2016, we had 97,132 employees, including sales executives, employees on fixed term contracts and interns, compared to 90,486 employees at year-end fiscal 2015 and 94,204 employees at year-end fiscal 2014. Of these, 74,096 employees were employed by ICICI Bank at year-end fiscal 2016, an increase from 67,857 at year-end fiscal 2015. Of our 97,132 employees at year-end fiscal 2016, approximately 42,436 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 our overall performance and profitability. A 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 SEBI (Share Based Employee Benefits) Regulations, 2014, options are granted by the Board Governance, Remuneration & Nomination Committee (BGRNC) and noted by the Board.

The eligibility of each employee is determined based on an evaluation including the employee's work performance and potential. We pay performance linked retention pay to its frontline 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 a

key differentiator for customer services. We also pay variable pay to sales officers and relationship manager in wealth management roles while ensuring that such pay-outs are in accordance with the compensation-related guidelines of the Reserve Bank of India. The Bank ensures 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 could 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 the form of a decline in the profit after tax of the Bank beyond a defined threshold, based on the Board Governance Nomination and Remuneration Committee's evaluation of the reasons for the same. See also *"Management—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme"*.

In addition to basic compensation, our employees 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 8.80% for fiscal 2016. 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.

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.

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, 2014		2015		2016	
	Number	% of total	Number	% of total	Number	% of total
ICICI Bank Limited	72,226	76.7	67,857	75.0	74,096	76.3
ICICI Prudential Life Insurance Company Limited	10,745	11.4	10,909	12.1	10,706	11.0
ICICI Lombard General Insurance Company Limited	5,243	5.6	5,829	6.4	6,427	6.6
ICICI Home Finance Company Limited <sup>(2)</sup>	532	0.6	528	0.6	515	0.5
ICICI Prudential Asset Management Company Limited	773	0.8	1,006	1.1	1,184	1.2
ICICI Securities Limited	4,075	4.3	3,815	4.2	3,676	3.8
ICICI Securities Primary Dealership Limited	73	0.1	76	0.1	77	0.1
Others	537	0.5	466	0.5	451	0.5
<b>Total number of employees<sup>(1)</sup></b>	<b>94,204</b>	<b>100.0</b>	<b>90,486</b>	<b>100.0</b>	<b>97,132</b>	<b>100.0</b>

(1) Includes interns, sales executives and employees on fixed-term contract totaling 2,070 at year-end fiscal 2016, 1,647 at year-end fiscal 2015 and 1,813 at year-end fiscal 2014.

(2) All employees are deputed from ICICI Bank.

## Properties

Our registered office is located at Landmark, Race Course Circle, 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 4,450 branches and 13,766 ATMs at March 31, 2016 compared to 4,050 branches and 12,451 ATMs at March 31, 2015. 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, 52 processing centers and 35 currency chests. We have 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, 2016, we owned 721 apartments for 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. However, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

The following penalties were imposed and paid by us in the past:

In May 2012, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 11.8 million on ICICI Prudential Life Insurance Company because of non-compliance with certain provisions of the Insurance Act, 1938 and regulations/guidelines issued by the Insurance Regulatory and Development Authority in respect of distribution partners and group insurance.

In fiscal 2012, the Reserve Bank of India imposed a penalty of Rs. 1.5 million on us in connection with non-compliance of certain instructions issued by the Reserve Bank of India with respect to our derivatives business.

In May 2012, the Reserve Bank of India imposed a penalty of Rs. 0.1 million on the Bank in connection with an operational error regarding the sale of government securities on behalf of a customer.

In May 2012, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on ICICI Securities Primary Dealership in connection with an operational error regarding the sale of government securities.

In October 2012, the Reserve Bank of India imposed a penalty of Rs. 3.0 million on ICICI Bank for non-compliance with the Know Your Customer directions issued by Reserve Bank of India.

In December 2012, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on ICICI Securities Primary Dealership