ICICI Bank UK PLC

Strategic report, Directors' report and financial statements

March 31, 2018

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Strategic report

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Strategic report

The Directors present their strategic report[1] for the year ended March 31, 2018 (FY2018) for ICICI Bank UK PLC ("the Bank").

Nature of Business

ICICI Bank UK PLC offers retail, corporate banking, commercial banking and treasury services. The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). The Bank is a wholly owned subsidiary of ICICI Bank Limited ("the Parent Bank") which is India's largest private sector bank by total consolidated assets. The Bank was incorporated in England and Wales as a private company with limited liability on February 11, 2003 and was converted to a public limited company, assuming the name ICICI Bank UK PLC, on October 30, 2006. As a public limited company, the Bank is able to access the capital markets.

The Bank has a senior debt rating of Baa1 from Moody's Investors Service Limited (Moody's).

Business Review

The Bank delivers its corporate, commercial and retail banking products and services through seven branches located in the UK and two branches in mainland Europe, located in Antwerp (Belgium) and Eschborn (Germany) as well as through online banking.

The Bank's overall strategy in the past few years has centred on a "diversification" theme. During FY2018, the Bank remained focused on its key strategic objectives of diversification of the business profile, continuing proactive risk management, effective liquidity and capital management and meeting the requirements of the changing regulatory environment. The Bank's focus is on maintaining a sustainable business model within strong corporate governance and a robust control environment.

The Bank's corporate business includes banking services for select companies in the UK, EU and North American regions, for Europe based multinational corporations which have active trade and investment flows with India, for large businesses owned by persons of Indian origin and for Indian corporations seeking to develop their business overseas.

The Bank provides retail banking services to UK consumers with a diverse product suite including retail and business current and savings accounts, online banking, debit cards, money transfers, travel solutions and property backed lending. Additionally, the Bank offers interest based savings accounts and fixed rate term accounts to UK and German consumers which are supported over internet and phone enabled channels.

The Bank is managed as a single business. For the purposes of the business review, however, management has described activity by individual business areas. The financial information in the following sections have been presented in US Dollars with additional disclosure in Indian Rupee (INR) currency for convenience using the exchange rate as at March 31, 2018 of USD/INR 65.175 which has been applied across both FY2018 and FY2017[2].

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[1]The strategic report is part of the Bank's annual report and accounts.

[2]The numbers in INR are proforma only and should not be regarded as as being audited and in compliance with UK GAAP.

Strategic report

Key strategic highlights: FY2018

During FY2018, the Bank has continued executing its four pillar strategy, this being: diversification of asset profile, diversification of liability profile, expansion of non lending revenue streams and enhancement of operating efficiencies. The focus on a well established strategy has effectively positioned the Bank to tap opportunities present in its key markets.

The Bank's strategic objectives are increasingly focused towards creation of franchise value through building value proposition for its customers in chosen business segments. The Bank aims to deliver long term sustainable growth supported by strong and effective corporate governance, risk management and control environment.

The Bank has a well established risk appetite for all critical risks, including credit, market, operational, conduct and cyber risks. The business continued to operate within the defined risk appetite, with close monitoring by management and the Board Committees. The Bank has adequate capital in compliance with the regulatory requirements. Further, the Bank continued to focus on effective liquidity and capital management within a strong control environment and corporate governance.

Total assets increased by 12% in FY2018 to USD 3,884 million (INR 253,163 million) compared to the previous year, primarily due to increase in balances at central banks, investments and a nominal increase in its loan portfolio. The Bank maintained adequate liquidity and capital position during the year.

The Bank further strengthened the risk framework following the Brexit referendum. During the year, the loans and advances portfolio increased by 5% primarily due to increase in short term interbank lending and good momentum in the UK and EU corporate deals which helped in growing the Bank's local and overseas client base. However, due to higher prepayments and selective sell down of loans, the loan book growth was nominal. The focus was maintained on balancing geographical and sectoral concentration as well as further diversification of the loan portfolio. The efforts to balance the geographical concentration led to a shift of loan profile with India as the country of risk reduced from 31% in FY2017 to 20% in FY2018 of the total loan portfolio (loans and advances to customers and banks). The Bank has been focused on increasing granularity in its corporate loan portfolio which has led to a reduction in average disbursement and exposure size.

On the liabilities side, the Bank continued to focus on rebalancing its funding sources and successfully diversified and broadened its funding profile and reduced the cost of funds by leveraging the retail and wholesale funding channels. During the year, the Bank accessed funding opportunities available in the wholesale markets which helped in an overall reduction in the cost of funds. The Bank also launched a new series of its online savings product "HiSave Bonus Super Saver" in September 2017 and February 2018 to raise retail funds.

The corporate and commercial banking fee income, business banking and retail remittance income streams continued to be the main sources of the non interest income. The non interest income remained flat during the year compared to the previous year mainly due to an increase in business banking foreign exchange and trade related revenues offset with a reduction in corporate fees. The Bank remained focused on enhancing operating efficiencies without compromising the control environment. While the operating expense base increased versus previous year mainly due to appreciation of Great Britain Pound (GBP) to US dollar exchange rate, the Bank continued its focus on expense rationalization and vendor negotiation initiatives which helped in maintaining a stable cost to income ratio of 42%. The Bank remained committed to maintaining a strong control framework to meet increasing regulatory and reporting obligations and continued to invest in people and technology to further strengthen the control framework.

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The Bank made an annual Loss After Tax of USD 25.5 million (INR 1,664 million) in FY2018 compared with the Loss After Tax of USD 16.1 million (INR 1,051 million) in the previous year. While the operating margins remained stable, higher impairment provisions resulted in a loss for the year. The Net Interest Margin (NIM) for FY2018 of 1.85% improved compared to 1.75% in FY2017 driven by a reduction in the cost of funds. The Bank made additional provisions on impaired assets mainly due to the deterioration in business performance of borrowers and delays in realisation of collateral. (*Detailed financial highlights are provided in the section "Key financial highlights").*

The capital and liquidity position remained adequate throughout FY2018. The Bank's approach to managing capital and liquidity is designed to ensure that regulatory capital and liquidity requirements are met at all times. During the year, the Bank complied with and maintained the High Quality Liquid Assets (HQLA) in line with the liquidity guidelines. The Bank also maintained adequate capital as required under Capital Requirements Directive (CRD IV).

The Bank reviews its Risk Appetite Framework regularly to take into account inter alia changes to the operating environment, portfolio composition, experience with stressed assets and regulatory changes. The Bank's risk management group monitors adherence to the risk appetite and reports to the Board Risk Committee (BRC) on a quarterly basis. The Bank's Credit Forum, which meets monthly, also tracks risk concentrations, developments in the portfolio and industry trends, through a range of early warning indicators, to identify vulnerabilities and take timely actions including, where appropriate, making revisions to the Risk Appetite and Risk Management Framework.

The Bank continued to place considerable attention on the management of conduct risk, with conduct risk related matters reported regularly to the Board Conduct Risk Committee ("BCRC") and the Compliance, Conduct and Operational Risk management Committee ("CORMAC"). The Bank maintained its focus on sustaining its customer-centric culture and invested in various technology initiatives to enhance customer experience. Close management of complaints ensured that all complaints were closed well within the regulatory stipulated timeframes.

Corporate and Commercial Banking

The Corporate Banking division continued to focus on diversification of its portfolio within the risk appetite of the Bank. The Bank extended loans to clients in the UK, EU and North America regions. The focus remained on offering the products which are core to the Bank's competencies and strategy, its clients' needs and in line with the risk appetite. Total loans and advances to customers increased by 1% to USD 2,366 million (INR 154,181 million) compared with USD 2,332 million (INR 151,997 million) in the previous year mainly driven by strong momentum in the new corporate deals offset with higher volume of prepayments especially for its India portfolio due to refinancing opportunities with the borrowers arising from the changing interest rate environment. The Bank did selective sell downs of loans mainly in the international corporate portfolio. As a strategic component of the Bank's commitment towards its business in the UK market, the Bank continued expanding its presence in the corporate lending secured against property within the established risk framework.

IMF in its report published in April 2018, noted that the growth in the Indian economy is projected to increase from 6.7% in 2017 to 7.4% in 2018 and 7.8% in 2019, supported by strong private consumption and fading transitory effects of the national goods and services tax. While growth prospects have improved, challenges in the corporate sector remain due to weak cash flows and slow process of resolution of stressed assets. The Bank has maintained a cautious approach to lending to Indian corporations which resulted in a decrease in the new disbursements for this segment.

The Bank's Germany branch registered a reduction in its loans and advances portfolio. During the year, the branch's balance sheet size registered a growth driven by increase in central bank balances and interbank money market placements. The Bank continued to do corporate lending through the

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Germany branch within the risk framework funded by low cost institutional deposits. The Bank availed its Targeted Longer Term Refinancing Operations (TLTRO) facility extended by the European Central Bank (ECB) which helped the Bank in raising low cost central bank funding.

Retail Banking

In continuation of the strategy of diversification of funding sources, the Bank remained focused on rebalancing the retail and wholesale funding mix. The Bank witnessed positive results following the enhancement of its business banking product suite including account and payment services, trade services and secured loans. During the year, the Bank expanded its funding base through newly established savings and term deposit variant to be offered through intermediaries. The Retail Banking team focused on expansion of business banking secured loans against property within the risk appetite of the Bank and made reasonable progress. During the year, the Bank also initiated asset finance lending established within the risk framework.

The Retail Banking team remained focused on enhancing the business banking and remittance income in line with the strategic pillar of expansion of non lending revenue streams through upgrading its technology to enhance the customer experience. During FY2018, the Bank launched its retail current account with a Video based Know Your Customer (KYC) process and an online business current account. The team also streamlined its business banking account opening process with an improvement in Turn Around Time and Straight Through Processing rates. Due to the ongoing efforts of enhancing customer experience, the Bank registered a healthy growth in its business banking foreign exchange and trade revenues. In continuation of its journey towards enhanced customer experience through digital channels, the Bank launched contactless debit cards and implemented customer life cycle management in Europe to get deeper insight into customer behaviour. The Bank also saw an increased usage for its Mobile App for Money 2 India (M2I) Europe. During the year, the Bank was awarded with the "Asian Business Bank of the year 2018" award by Eastern Eye and the MD & CEO of the Bank was selected in the "100 most influential in UK-India relations" by India Global business.

The Bank continued to focus on its strategy of improvement in process efficiencies. During the year, the Bank took a decision to close one of its retail branches and the initiative was implemented without any adverse impact on the customers.

The Bank remained focused on strengthening its service delivery platform to ensure an enhanced customer experience and improved customer outcomes thereby operating within the overall conduct risk framework for the Bank.

Treasury

The Treasury Group manages the structure of the balance sheet of the Bank, supports the capital needs and manages the market and liquidity risk of the Bank. Throughout the year, the Bank complied with and maintained the High Quality Liquid Assets (HQLA) in line with the guidelines for Liquidity Coverage Ratio (LCR) requirements. The Bank reviews the asset/liability maturity mismatches and interest rate positions, and maintains liquidity gaps and interest rate positions within prescribed limits, which are monitored by the Asset and Liability Management Committee (ALCO) of the Bank. In line with the strategy of diversification of funding sources and to minimize the cost of funds, the Bank continued to focus on exploring alternative funding sources through savings and term deposit variant to be offered through intermediaries established during FY2017. During the year, the Bank also raised funding through various wholesale instruments including bilateral loans and bonds under its Medium Term Note (MTN) Programme at competitive pricing driven by conducive wholesale markets. In addition, the Bank availed funding through the Term Funding Scheme (TFS) offered by the Bank of England which helped the Bank in raising low cost central bank funding. During the year, the Bank

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enhanced its Liquidity risk management framework through maintenance of HQLA in Euro currency which resulted in an increase in central bank balances in its Germany branch.

The investment portfolio of the Bank is also managed by the Treasury Group. The treasury activities are carried out through the Balance Sheet Management Group, Investment desk and Global Markets Group. During the year, the Investment Management Group invested in Indian bank and corporate bonds and further diversified the portfolio through investments in EU and US corporate bonds along with other HQLA eligible bonds within the established risk appetite of the Bank.

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Financial Highlights

The financial performance for the financial year 2018 is summarised in the following table

Summarised Profit and loss account	**Financial 2018**	Financial 2017	% Change	**Financial 2018**	Financial 2017
	USD 000s	USD 000s		INR million	INR million
Net interest income	**66,905**	65,526	2%	**4,362**	4,270
Non interest income	**13,359**	13,364	0%	**871**	870
Profit/(Loss) on sale of financial assets	**2,960**	4,619	-36%	**193**	301
Total revenue	**83,224**	83,509	0%	**5,426**	5,441
Operating expenses	**(34,917)**	(33,917)	3%	**(2,276)**	(2,211)
Profit before provisions, charges and taxes	**48,307**	49,592	-3%	**3,150**	3,230
Impairment provision and charges	**(78,711)**	(68,181)	15%	**(5,130)**	(4,444)
(Loss)/Profit before tax	**(30,404)**	(18,589)	64%	**(1,980)**	(1,214)
Tax	**4,856**	2,507	94%	**316**	163
(Loss)/Profit after tax	**(25,548)**	(16,082)	59%	**(1,664)**	(1,051)

Summarised Balance Sheet	**Financial 2018**	**Financial 2017**	% Change	**Financial 2018**	Financial 2017
	USD 000s	USD 000s		INR million	INR million
Cash and cash equivalents	**500,246**	333,702	50%	**32,604**	21,749
Loans and advances to banks	**137,553**	55,226	149%	**8,965**	3,599
Loans and advances to customers	**2,365,651**	2,332,132	1%	**154,181**	151,997
Investments	**804,895**	683,306	18%	**52,460**	44,534
Total assets	**3,884,340**	3,479,766	12%	**253,163**	226,794
Customer accounts	**1,748,820**	1,648,588	6%	**113,979**	107,447
Shareholders' funds	**506,752**	533,230	-5%	**33,028**	34,753

Capital[3]

Capital Ratios	**March 31, 2018**	**March 31, 2017**	**Movement**
Core Tier 1 ratio	**14.0%**	15.5%	-1.5%
Tier 1 ratio	**14.0%**	15.5%	-1.5%
Total ratio	**16.5%**	18.4%	-1.9%

Risk weighted assets	**March 31, 2018**	**March 31, 2017**	% Change	**March 31, 2018**	**March 31, 2017**
	USD 000s	USD 000s		INR million	INR million
Risk weighted assets	**3,498,919**	3,355,950	4%	**228,042**	218,724

[3] Pillar 3 disclosures are available online on the Bank's website: http://icicibank.co.uk/personal/basel-disclosures.html

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Key Financial highlights: FY2018

As at March 31, 2018, the Bank had total assets of USD 3,884 million (INR 253,163 million) compared with USD 3,480 million (INR 226,794 million) as at March 31, 2017. The balance sheet increased by 12% primarily due to an increase in central bank balances, investments and a nominal growth in loans and advances. During the course of the year, the Bank maintained adequate liquidity surplus compared to regulatory requirements. Due to an increase in volatility in global markets during Q4 FY2018, the Bank maintained surplus liquidity in the form of balances with central banks and investment in treasury bills which increased as compared with the previous year. The loans and advances to banks increased by 149% driven by short term interbank lending which was primarily done for liquidity management purposes. The loans and advances to customers increased by 1% following high business volumes in corporate deals from UK and EU and supply chain financing offset with higher prepayments and sales in the portfolio. During the year, the Bank saw a higher volume of prepayments primarily for India portfolio due to refinancing opportunities arising from the changing interest rate environment. The Bank continued to follow a cautious concentration risk management strategy through selectively selling down loans in its international corporate portfolio. The Bank monitors adherence to the portfolio limits as prescribed in the risk appetite on a periodic basis.

On the liabilities side, the Bank accessed the available opportunities in the wholesale markets and raised funding through various funding sources such as bilateral loans, bonds, repurchase agreements and banker's acceptance. With respect to rebalancing the wholesale and retail mix of its liability portfolio, the Bank saw encouraging flow of funds post the launch of "HiSave Bonus Super Saver" series in September 2017 and February 2018 for raising retail funds. The Bank fully redeemed its balance sub-ordinated debt of USD 26 million at its call back date in June 2017.

The Bank made a Loss Before Tax in FY2018 of USD 30.4 million (INR 1,980 million) compared with Loss Before Tax of USD 18.6 million (INR 1,214 million) in the previous year mainly due to higher impairment provisions. A Loss After Tax of USD 25.5 million (INR 1,664 million) was made against the Loss After Tax of USD 16.1 million (INR 1,051 million) in the previous year.

The net interest income (NII) increased by 2% compared with the previous year despite a reduction in average interest earning assets by 3%. The Net Interest Margin (NIM) for FY2018 of 1.85% registered a healthy growth versus NIM of 1.75% in the previous year. The NIM improvement was primarily driven by lower cost of funds. The cost of funds reduced due to rebalancing of the retail and wholesale deposits mix and diversification of funding sources. The cost of funds for FY2018 reduced as compared with the previous year despite increase in the USD and GBP LIBOR during the year.

The non interest income remained flat as compared to the previous year primarily due to an increase in business banking foreign exchange and trade income offset with lower corporate fees. The Bank's business banking strategy revolved around acquisition of new customers and enhancement of its technology platform to provide improved customer experience. This resulted in an increase in the business banking revenues as compared to the previous year. Remittance revenues from UK and M2I Europe remained consistent with the previous year due to increased competition in the money transfer business with more fintech players entering the UK and EU market. The reduction in corporate fees was mainly due to limited opportunities in providing structuring and arrangement services to corporate clients .

During the year, the Bank booked a profit of USD 3.0 million on sale of financial assets driven by the market opportunities and liquidity management.

Operating expenses at USD 34.9 million (INR 2,276 million) increased by 3% compared to the previous year primarily due to an appreciation of GBP to US dollar. However, the Bank maintained a stable cost to income ratio of 42% driven by expense rationalization and vendor negotiation initiatives.

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The provisions made during the year were USD 78.7 million (INR 5,130 million) compared with USD 68.2 million (INR 4,444 million) in the previous year. The Bank made additional provisions on impaired assets mainly due to the deterioration in business performance of borrowers and delays in realisation of collateral. Due to the challenging market conditions and economic environment, the Bank saw an increase in stress in the performance of a few sectors which resulted in loans being classified as impaired. Currently, the Bank operates within the risk appetite, it has introduced in recent years. As at March 31, 2018, the provision coverage on impaired loans and equity increased to 48% as compared to 37% in the previous year.

The Bank recognised an overall tax credit of USD 4.9 million which included a credit of USD 5.0 million on the consolidated loss, a credit of USD 0.9 million on account of AFS reserves partially offset by a tax provision of USD 1.0 million on the profit booked in its Germany branch.(Refer note 11 on Taxation)

As at March 31, 2018 the total capital was 16.5% with Tier 1 ratio of 14.0%. The Bank is in compliance with the CRD IV regulatory requirements. The Bank continues to comply with and maintains balances in HQLA in line with the Liquidity Coverage Ratio (LCR) regime. The Bank manages the capital and liquidity to ensure that current regulatory capital and liquidity requirements are met at all times.

[4]Key economic and business outlook

As per the Interim Economic Outlook March 2018 published by the OECD, the global economy is now growing at its fastest pace since 2010, with the upturn becoming increasingly synchronised across countries. This pickup in global growth, supported by policy stimulus, is being accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. Global GDP growth is projected to strengthen from 3.5% in 2017 to 3.8% in 2018 before easing slightly in 2019. On a per capita basis, growth is set to improve but fall short of pre-crisis norms in the majority of OECD and non-OECD economies. Inflation is currently subdued in the major economies and is set to remain moderate, although edging up gradually.

Whilst the near-term cyclical improvement is welcome, it remains modest and prospects of continuing improvement in global growth through 2019 do not yet appear to be strong. Some improvement is expected in 2018 and 2019, with firms making new investments to upgrade their capital stock, but this will not fully offset past shortfalls, and productivity gains are expected to remain limited. Growth also remains softer than in the past in the emerging market economies (EMEs). EME growth is hampered by slowing reform efforts and financial vulnerabilities from high debt burdens, particularly in China. Financial risks are also rising in advanced economies, with the extended period of low interest rates encouraging greater risk-taking and further increases in asset valuations, including in housing markets.

In the United Kingdom, economic growth is expected to weaken in 2018 and 2019. Private consumption is projected to remain subdued as higher inflation could impact household purchasing power. The unemployment rate is at a record low, but with slower growth this is unlikely to persist. Exchange rate depreciation would be supportive of exports, while import growth is projected to fall owing to weaker private consumption. An agreement about a transition period linked to the EU exit after March 2019 would reduce uncertainty on domestic spending. Prospects of maintaining the closest possible economic relationship between the United Kingdom and the European Union would further support economic growth.

The economic expansion in the United States is projected to continue in 2018 and 2019. Buoyant asset prices and strong business and consumer confidence will support consumption and investment growth. Fiscal policy is projected to become more supportive in 2018 as measures are assumed to be introduced lowering tax rates on corporate and personal income and stimulating investment and

[4] Interim Economic Outlook March 2018 published by the OECD

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consumption. At a time when unemployment is at its lowest level since 2000, the assumed fiscal boost is likely to contribute to further wage growth, thereby providing the conditions for monetary policy to continue normalising gradually.

Economic growth in India is projected to strengthen to above 7%, gradually recovering from the transitory adverse impact of rolling out the Goods and Services Tax (GST) and measures like demonetisation. In the longer run, the GST is expected to boost corporate investment, productivity and growth. Non-performing loans have increased, largely reflecting recognition efforts, and are particularly high in public banks. Steps have been taken to clean up banks' balance sheets, giving creditors more control over the stressed entities. A new bankruptcy law has been implemented.

Growth in China has strengthened somewhat in 2017, driven by services and some strategic industries, but is projected to soften in 2018 and 2019, as exports decelerate.

While the global economic environment improved during 2017, uncertainties remained related to challenges in developing economies and geo political risks. Hence, the Bank took a cautious approach towards new lending. The Bank operated within its tight lending framework on local lending and increased monitoring of its exposures which could be impacted by Brexit.

In consideration of the economic environment and future outlook, the Bank will continue on its journey of creating a franchise. The efforts to enhance the non-interest revenue streams will continue along with improving operating efficiencies and efficient capital and liquidity management. The Bank will continue to monitor the global economic environment as well as the economic situation and developments in India and Europe and strive to tap the market opportunities in line with its risk management framework and risk appetite.

Key risks

The Bank's business is subject to inherent risks relating to borrower credit quality as well as general global economic and India conditions. The Bank's funding is composed of medium to long term deposits, term borrowings and a proportion of short term savings balances. If depositors and/or lenders do not roll over invested funds upon maturity, the Bank's business could be adversely affected. Unfavourable wholesale market conditions could have an adverse impact on meeting the funding requirements of the Bank. The security of the Bank's information and technology infrastructure is a key focus area for maintaining banking applications and processes. Cyber-attacks disrupt the availability of customer facing websites and could compromise the Bank's customer data and information.

The UK Prime Minister invoked Article 50 of the Treaty of European Union on March 29, 2017, thereby triggering a two year process of UK withdrawal from the European Union (EU). This could have wide ranging effects for UK businesses and in particular financial services firms who currently benefit from arrangements allowing them to passport their services into any EU country. The current uncertainty on reaching to a final deal between the UK and rest of the EU over what form Brexit will take remains a common issue for all firms in the UK.

Established controls around the measurement of risks through effective risk management helps the Bank in mitigating such risks. The Bank will continue to work within the risk framework as set out by the Board. The increased supervisory and compliance environment in the financial sector leads to increased risks of regulatory action. The Bank's continued focus on ensuring compliance with all regulatory requirements mitigates the risk of regulatory action. The Bank makes sufficient investments in addressing the risks through infrastructure development, regular training to enhance awareness of employees, and increased monitoring and management of these risks. The Bank's Directors and Management review the risk appetite on a regular basis and continue to make any relevant changes to ensure regulatory compliance. The Bank ensures compliance with new regulatory guidelines. During the year, the Bank implemented EU's Markets in Financial Instruments Directive (MIFID II) reforms and

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second Payment Services Directive (PSD2) and is in compliant with the new regulations. The General Data Protection Regulation (GDPR) will come into effect in May 2018 and the Bank has a robust project plan in place for timely implementation of the guidelines. The detail around the Bank's risks and management is given in Note 38.

Corporate Governance and Risk Management

Corporate Governance

The Bank's corporate governance framework is based on an effective independent Board, the separation of the Board's supervisory role from the executive management of the Bank and the constitution of Board Committees to oversee critical areas and functions of executive management. The Board is committed to maintaining high standards of corporate governance. During the year, Mr. Jonathan Britton resigned from the position of Non Executive Director and Chairman of the Audit Committee. The Board appointed Mr. John Burbidge as the Chairman of the Audit Committee effective May 5, 2017. Mr. John Burbidge has been the Non Executive Director of the Bank and member of the Audit Committee since January 23, 2012. The Board appointed Mr. Burbidge as the Chair of the Audit Committee considering his rich experience in Banking and a good understanding of the Bank's business model. A Chartered Accountant by profession and an experienced banker with over 35 years of in depth banking experience, Mr. Burbidge retired as the CEO of RBC Capital. Following this change, the Bank has a total number of five Non Executive Directors on the Board, two of whom are representatives of the Bank's Parent, ICICI Bank Limited, and three are independent.

The Bank operates three lines of defence model including independent control groups such as Compliance, Risk, Internal Audit, Finance and Legal to facilitate independent evaluation, monitoring and reporting of various risks. These support groups function independently of the business groups and are represented at the various Committees.

Effective corporate governance and compliance is a prerequisite to achieving the Bank's strategic objectives. The Bank has maintained its focus on controls, governance, compliance and risk management to provide a sound foundation for the business and it continues to ensure embedding of a controls and compliance culture throughout the organization. This is achieved through appropriate training, maintaining adequate resources within the control groups commensurate with the Bank's operations, continuous strengthening of internal systems and processes and effective deployment of technology. Information technology is used as a strategic tool for the Bank's business operations, to gain a competitive advantage and to improve its overall productivity and efficiency.

During the year, the Bank engaged an external consultant to conduct the Board and Board Committees effectiveness review. The review was successfully completed with positive outcomes. The Bank has prepared an action plan to address the feedback from the reviews which are monitored closely by the Board and Board Committees for timely completion. The results indicated that on the whole the Board and the Board Committees are working effectively with the Directors having a good understanding of the key issues, committing sufficient time to perform their functions in the Bank and focusing on the appropriate areas.

Brexit

Following the referendum during FY2017, the Bank formed a Brexit Committee chaired by the Head of Risk and attended by the executive management with regular meetings to monitor and discuss the developments related to Brexit. During the year, the Committee finalised its strategic planning on the Bank's operations including its branches in Belgium and Germany which currently rely on passported permissions from the UK. The Committee reports to the Board Risk Committee on a regular basis. During the year, the Bank presented its post Brexit plans and recommendation to the Board Risk Committee and the Board for approval. The plan was approved by the Board Risk Committee followed by the Board. The Bank is proactively working to ensure continuity in its current businesses in Germany and Belgium after the UK leaves the EU upon Brexit implementation.

Senior Managers Regime

The Bank has fully implemented the requirements of the Senior Managers regime, which came into effect on March 7, 2016. Specifically, the regime requires firms to:

1. Allocate a range of responsibilities to Senior Managers (including Non-Executive Directors) and to regularly vet their fitness and propriety. This will focus accountability on a narrower number of senior individuals in banks than the previous Approved Persons Regime.
2. Assess the fitness and propriety of certain employees (certification employees) who could pose a risk of significant harm to the bank or any of its customers and issue them with certificates on an annual basis.
3. Apply a new set of conduct rules to a broad range of staff, including the Senior Managers and the certification staff.

The Bank presents regular updates on compliance with the regime to the Board Governance Committee.

Risk Management

The Bank has a centralised Risk Management Group with a mandate to identify, assess and monitor all its principal risks in accordance with defined policies and procedures. The Risk Management Group is independent of the business units and the Head of Risk reports directly to the Managing Director and Chief Executive Officer, and also has reporting lines to the Risk Management Group of the Parent Bank and the Chairperson of the Board Risk Committee.

The Bank has developed a risk appetite framework articulated within the broader context of the nature, scope, scale and complexity of the Bank's activities. The anchors on which the framework has been based include quantitative parameters such as capital, liquidity and earnings volatility as well as qualitative parameters such as conduct and reputational risk. The risk appetite statement has been further drilled down into portfolio-level limits, which include limits on country of risk and credit ratings of loans. The risk appetite framework and related limits are approved by the Board of Directors. The Risk Management Group of the Bank monitors adherence to the risk appetite framework and reports on it to the Board Risk Committee on a quarterly basis.

The Bank operates within a comprehensive risk management framework to ensure that the key risks are clearly identified, understood, measured and monitored and that the policies and procedures established to address and control these risks are strictly adhered to. The outcomes of each of these risk management processes have been used to identify the material risks that the Bank is exposed to. The Bank is primarily exposed to credit risk, market risk (predominantly interest and exchange rate risk), liquidity risk and operational risk (including compliance, conduct and reputational risk). The Bank's largest regulatory capital requirements arise from credit risk in its lending operations.

The Bank maintains a detailed Recovery and Resolution Plan (RRP). It also maintains a Liquidity Contingency Plan (LCP), which forms an integral part of the RRP. The plan includes a range of recovery and liquidity indicators which allow the Bank to take preventative measures to forestall a severe stress. They also include a communication plan, which would be followed in the event of a crisis and a contingency funding plan, which sets out the corrective measures to be invoked when there is a potential or actual risk to the Bank's liquidity position.

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The Bank's conduct risk philosophy is to develop and maintain long term relationships with its customers, based on openness, trust and fairness. It expects that the behaviour and motivation of every employee must be about good conduct and adherence to established controls to deliver fair and appropriate outcomes to our customers. The Bank evaluates the impact of the changing regulatory requirements on an ongoing basis and is fully committed to establishing controls to deliver fair and appropriate outcomes for its customers.

The management of operational risk within the Bank is governed by the Operational Risk Management Policy (ORMP) which is reviewed and approved by the Board Risk Committee (BRC) on an annual basis. Operational risk elements covered in the ORMP include operational risk incident management including reporting, techniques for risk identification, assessment and measurement, monitoring through key risk indicators and risk mitigation techniques.

The Bank continues to focus on the conduct risk matters as defined in its conduct risk appetite. Performance against the appetite and other conduct risk related matters are reviewed and monitored by the Bank's Board Conduct Risk Committee ("BCRC") and at the executive level by the Compliance, Conduct and Operational Risk Management Committee ("CORMAC"). Both Committees meet on a periodic basis and receive regular updates from both business and Compliance.

The Compliance, Conduct and Operational Risk Management Committee (CORMAC) comprising of the senior management is responsible for the mitigation of operational risk including fraud and conduct risk within the Bank. The CORMAC is additionally responsible for reviewing and monitoring the financial crime prevention performance of the Bank. It approves the Bank's fraud governance framework and fraud compensation proposals and monitors the progress of reported fraudulent transactions.

The Bank has determined and articulated Operational Risk Appetite (ORA) which has been defined as the acceptable maximum level of Operational Risk (OR) that the Bank is willing to accept in pursuit of its strategic objectives, taking into account the interest of its stakeholder as well as regulatory requirements. It has been expressed both in quantitative and qualitative terms.

In order to further strengthen and proactively monitor its compliance to the 'Conduct Risk (CR)', the Bank has also defined its 'Conduct Risk Appetite (CRA)' as per the guidelines issued by the regulator and has established both quantitative and qualitative measures of the Conduct Risk. The objective of a Conduct Risk Appetite framework of the Bank is to identify key conduct risks faced by the Bank and the steps to be taken to mitigate these risks; articulate the governance mechanisms, systems and controls which are in place to mitigate these risks; and review the exposure of the Bank to conduct risks and assist the Board in ensuring that the risk appetite is not breached.

The Bank has developed and implemented a Business Continuity and Crisis Management Plan (BCP) for all business and corporate functions to ensure continued availability of critical business processes in an event of an outage. The BCP also addresses disaster situations and provides necessary guidance to recover and restore critical and important business processes in the event of an external business disruption. Periodic testing of the BCP is carried out and the results and the updates are shared with CORMAC. The Bank has developed and implemented an Outsourcing Policy to mitigate outsourcing risks and ensure the application of a standardized approach for all outsourcing arrangements entered into by the Bank. Proposed Outsourcing Arrangements (OAs) are assessed for their criticality prior to outsourcing. A detailed vendor review is carried out for all the critical SLAs on an annual basis. The performance of vendors is periodically reviewed on various parameters and assessment reports are presented to the BRC on an annual basis.

The Bank has a Data Protection Policy (DPP) to ensure that personal and sensitive personal information about its clients, employees, vendors and others with whom it communicates is dealt in accordance

Strategic report

with the relevant national laws. This Policy conforms to the provisions of Data Protection Legislation which means (i) before 25 May 2018, the EU Data Protection Directive 95/46 and all national implementing laws (including the UK Data Protection Act 1998); and (ii) on or after 25 May 2018, the EU General Data Protection Regulation 2016/679 ("GDPR"); together with all other applicable and national implementing legislation relating to privacy or data protection.

The Bank is committed to making the necessary investments in Information Security which is essential to ensure the long term viability of the organisation and its data. The Bank has implemented an integrated approach to security and made significant progress in enhancing its Information Security governance through monitoring at the Information Security Committee. Additionally, periodic presentations are given to the Board Risk Committee on cyber threats and various measures taken by the Bank mitigating cyber security risks and threats. The various measures include periodic vulnerability and penetration testing, Application security life cycle assessment, information security awareness programs and cyber incident management. During the year, the Bank renewed its "Cyber Essentials" certificate and badge which demonstrated that the Bank's Information Security processes and procedures meet the UK market baseline standards.

Internal Audit

Internal Audit is an integral part of the ongoing monitoring of the Bank's system of internal controls. The Internal Audit Group is an independent function and the Head of Internal Audit reports directly to the Managing Director and Chief Executive Officer, and also has reporting lines to the Chairperson of the Board Audit Committee and General Manager, International Audit, ICICI Bank Limited. The Bank has put in place a risk based internal audit coverage to verify that operating policies and procedures are implemented as intended and are functioning effectively. Internal Audit also evaluates whether the framework including the associated governance processes meets the Bank's needs and regulatory expectations/requirements.

Liquidity Regulation

In June 2015, PRA published its policy statement on liquidity requirements for banks, which took effect from October 1, 2015. The guidelines introduced requirement for banks to maintain LCR above regulatory requirements. The LCR is intended to ensure that a bank maintains an adequate level of unencumbered HQLA which can be used to offset the net stressed outflows the bank could encounter under a combined stress scenario lasting 30 days. Starting January 1, 2018, the minimum regulatory requirement is 100%. The LCR ratio of the Bank at March 31, 2018 was 203.9%. The Bank holds a adequate level of liquidity in excess of regulatory requirements and requirements as per internal risk appetite defined in ILAAP.

In October 2014, the Basel Committee published its final standard for the Net Stable Funding Ratio (NSFR) which took effect on January 1, 2018. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. Banks are expected to hold a NSFR of at least 100% on an on-going basis and report its NSFR at least quarterly. During FY2018, the Bank contributed to the Basel quantitative impact study through quarterly submissions and maintained its NSFR above the expected ratio.

Strategic report

Details of the Bank's governance arrangements, financial risk management objectives and policies, including those in respect of financial instruments, and details of the Bank's indicative exposure to risks are given in Note 38.

By order of the Board

Sudhir Dole
Managing Director & Chief Executive Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

April 26, 2018
Registered address:
One Thomas More Square
London E1W 1YN

Directors' report

The Directors have pleasure in presenting the Fifteenth annual report of ICICI Bank UK PLC, together with the audited financial statements for the year ended March 31, 2018.

Financial Results

The financial statements for the reporting year ended March 31, 2018 are shown on pages 27 to 87.

Directors

Mr. N.S. Kannan	Non Executive Director, Chairperson of the Board
Mr. Vijay Chandok	Non Executive Director
Mr. Robert Huw Morgan	Independent Non Executive Director
Mr. Jonathan Britton*	Independent Non Executive Director
Mr. John Burbidge	Independent Non Executive Director
Sir Alan Collins	Independent Non Executive Director
Mr. Sudhir Dole	Managing Director & CEO

* Mr. Jonathan Britton resigned from the position of the Non Executive Director of the Bank on April 30, 2017.

Company Secretary

The name of the Company Secretary at the date of the report and who served during the year is as follows: Ms. Aarti Sharma

Going concern

The Bank's business activities and financial position; the factors likely to affect its future development and performance; and its objectives and policies in managing the financial risks to which it is exposed and its capital are discussed in the Business Review and Risk Management section.

The Directors have assessed, in the context of the Bank's current results and operating environment, capital and liquidity position and projections, the Bank's ability to continue as a going concern. The Directors confirm they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

Share Capital

As at March 31, 2018, the issued and fully paid share capital amounted to USD 420 million (INR 27,380 million).

Employees

As at March 31, 2018 the Bank had 178 employees. The Bank encourages the involvement of all employees in the Bank's overall performance and profitability. The Bank has a pension scheme operating in the UK in which the employees are entitled to a maximum of five percent contribution of their basic salary by the Bank. Generally, all permanent employees have life insurance cover to the extent of four times their base salary. The Bank also has a private medical insurance plan, which covers permanent employees and their dependents in UK.

The Bank is committed to employment practices and policies which recognise the diversity of its workforce and ensure equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief. Employees are kept closely involved in major changes affecting them through such measures as team meetings, briefings, internal communications and opinion surveys. The Bank has adopted a Code of Conduct, which sets out the core values and behaviours expected of senior management and other employees. The requirements of the Code are for all employees to act with integrity and maintain the right culture at all times. It also reinforces the Bank's commitment to maintaining high standards in management of our relationship with customers, employees and suppliers.

The Bank recognises its social and statutory duty and follows a policy of providing same employment opportunities for disabled persons as for others.

The Bank follows a conservative and comprehensive approach towards remuneration. The Bank has adopted and implemented a Remuneration Policy which has been approved by the Board Governance Committee. The Bank ensures that it adheres to the Remuneration Code guidelines published by the PRA and FCA. The Bank's remuneration policy disclosures are made available on the Bank's website: http://www.icicibank.co.uk/personal/basel-disclosures.html as part of Pillar 3 disclosures.

Political contributions

The Bank made no political donations or incurred any political expenditure during the year.

Dividends

No dividends on the share capital of the Bank is proposed during the year.

Post balance sheet events

There have been no material events after the balance sheet date which would require disclosure or adjustments to the March 31, 2018 financial statements.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Auditor

KPMG LLP was appointed as the auditor of the Bank at its Annual General Meeting on July 14, 2017 for a year. In accordance with Section 489 of the Companies Act of 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Bank is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Sudhir Dole
Managing Director & Chief Executive Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

April 26, 2018
Registered number: 4663024
Registered address:
One Thomas More Square
London E1W 1YN

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible to report a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties faced by the company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule. The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on January 1, 2014 and place certain reporting obligations on financial institutions that are within the scope of the EU's CRD IV which are outlined in Note 36.

By order of the Board

Sudhir Dole	**Aarti Sharma**
Managing Director & Chief Executive Officer	Chief Financial Officer & Company Secretary

April 26, 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ICICI BANK UK PLC

1 Our opinion is unmodified

We have audited the financial statements of ICICI Bank UK Plc ("the Company") for the year ended 31 March 2018 which comprise the Profit and Loss account, the Statement of Other Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity, and the related notes, including the accounting policies in note 2. We have not audited the pro forma information labelled as "convenience translation" (explained in note 2(b)) presented throughout the financial statements.

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Directors on 2 July 2003. The period of total uninterrupted engagement is for the 15 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	*Our response*
Specific impairment on Loans and Advances *(Charge to profit and loss: $76 million; 2017: $67 million* *Closing balance: $134 million; 2017: $86 million)* *Refer to pages 38 and 41-42 (accounting policy) and page 56 (financial disclosures).*	*Subjective estimate:* *The carrying value of loans and advances held at amortised cost may be materially mis-stated due to impairment triggers not being identified or impairment charges not being reliably estimated, or both. The identification of impairment triggers and the valuation techniques used to assess the level of impairment, such as estimates of future cash flows or valuation of collateral, involves significant management judgment.* *The Bank's exposures include certain loans which are individually significant in size, primarily companies linked to India, and some linked to volatile sectors such as commodities, and where in some instances repayment may be dependent on the successful realisation of collateral.*	*Our procedures included:* **Manual and automated controls:** Testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers, and over the completeness of the credit watchlist; **Substantive procedures:** We tested all watchlist exposures and examined a risk-based sample of exposures not identified as impaired and formed our own judgment, based on the individual facts and circumstances, as to whether this judgment was appropriate. Where indicators of impairment were identified, our reviews included evaluation of the accuracy of individual impairment assessments by reperforming calculations and agreeing data inputs to third party documentation, including valuation reports, and challenging key assumptions of expected future cash flows, collateral valuation and realisation assumptions, by inspecting third party correspondence and independent valuation reports. Where any alternation to the terms or conditions of a loan were made, we have assessed whether the loan is captured as forborne. **Disclosures:** We have assessed the Bank's compliance with the relevant accounting standards including the adequacy of the Bank's disclosures in relation to the subjectivity in impairment, credit risk and collateral, and forbearance. **Our results** The results of our testing indicated that management's judgments were satisfactory and we considered the specific impairment charge and provision recognised to be acceptable.

	The risk	*Our response*
Collective provision on Loans and Advances *(Charge to profit and loss: $1 million; 2017: $(0.5) million* *Closing balance: $12 million; 2017: $11 million)* *Refer to pages 38 and 43 (accounting policy) and page 56 (financial disclosures).*	*Subjective Estimate:* *Where no specific impairment is identified for an exposure, a collective provision is calculated to account for losses that are present in the portfolio but not yet identified.* *A model is used to calculate the level of provision for the exposures which are not specifically impaired, which incorporates the following assumptions:* *1) Probability of default: the likelihood of an account falling into arrears and subsequently defaulting* *2) loss given default: the loss expected on an exposure once a borrower has defaulted, which is impacted by the value of collateral available,* *3) Loss emergence period: the length of the period between the counterparty incurring a loss and the point where it is identified and confirmed* *In addition, a judgmental economic scalar is applied by management to increase or decrease the probability of default estimates within the model to reflect the prevailing economic environment e.g. to account for any specific stress in a particular market.*	*Our procedures included:* **Manual and automated controls:** Testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers, the governance of the collective provision model, and the input of key data into the collective provision model. **Substantive procedures:** We evaluated the model methodology and challenged management regarding the key assumptions used. We also assessed reliability and appropriateness of third party data used as an input to the collective provision model, and the appropriateness of data sourced from the Parent Bank. We have substantively tested the completeness and accuracy of key inputs (e.g. year end balances, risk gradings) to the model, and performed a recalculation of the provision. In assessing the model, we compared the observed loss history to the level of collective provision and compared the coverage rates and emergence period used to externally available industry data. We have tested the internal controls over the application of judgmental scalars. We have also substantively tested all scalars applied, including recalculating the amount and assessing the materiality of the impact on the collective provision recognised. ***Our results*** The results of our testing indicated that management's judgments were satisfactory and we considered the collective impairment charge and provision recognised to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at $1,090,000 (2016: $906,000), determined with reference to a benchmark of profit before tax, normalised by averaging the absolute values of the last five years' profits and losses due to fluctuations in the business cycle. We set materiality at 5% of this benchmark (2016: 7% of profit before tax, normalised by averaging over the last five years' profits, net of losses).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $54,500 (2017: $45,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed at the Bank's registered office in London and the Group head office in Mumbai, India. All procedures are scoped by the UK audit team, however we engage our member firm in India to perform controls testing and substantive procedures over the following processes which are outsourced to the Group head office under service level agreements:

i) Loan operations
ii) Treasury operations, including the hedge accounting process
iii) Certain finance processes including key reconciliations
iv) Valuation controls and assessment of centralized valuation models
v) IT infrastructure and controls

We inspect the audit work performed by our network firm throughout the year, and visit the India audit team each year to assess the audit work performed.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 19, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the company's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Todd

David AT Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 April 2018

Profit and loss account for the year ended March 31, 2018

	Note	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	Convenience translation (Refer to Note 2 (b)) Year ended March 31, 2018 INR million*	Year ended March 31, 2017 INR million*
Interest income and similar income	5	115,269	118,410	7,513	7,717
Interest expense	6	(48,364)	(52,884)	(3,151)	(3,447)
Net interest income		66,905	65,526	4,362	4,270
Fees and commissions receivable		8,135	9,217	530	601
Foreign exchange revaluation gains		6,907	4,572	451	297
Income/(Loss) on financial instruments at fair value through profit and loss	7	(2,282)	(1,090)	(149)	(71)
Other operating income		599	665	39	43
Profit/(Loss) on sale of financial assets		2,960	4,619	193	301
Total revenue		83,224	83,509	5,426	5,441
Administrative expenses	8,9	(34,135)	(33,050)	(2,225)	(2,154)
Depreciation	22	(782)	(867)	(51)	(57)
Specific impairment on investment securities	21	(01)	00	-	-
Impairment on loans and advances	20	(78,710)	(68,181)	(5,130)	(4,444)
Operating (loss)/ profit before tax		(30,404)	(18,589)	(1,980)	(1,214)
Tax on operating (loss)/profit	11	4,856	2,507	316	163
(Loss) /Profit after tax		(25,548)	(16,082)	(1,664)	(1,051)

The result for the year is derived entirely from continuing activities. The notes on pages 32 to 87 form part of these financial statements.

** INR figures are unaudited*

Statement of other comprehensive Income
for the year ended March 31, 2018

	Note	March 31, 2018 USD 000s	March 31, 2017 USD 000s	Convenience translation (Refer to Note 2 (b)) March 31, 2018 INR million*	March 31, 2017 INR million*
(Loss)/ Profit on ordinary activities after tax		(25,548)	(16,082)	(1,664)	(1,051)
Other comprehensive Income					
Movement in available for sale reserve					
Movement in fair value during the year		(2,542)	4,933	(167)	321
Taxation relating to available for sale reserve		565	(2,937)	37	(191)
Net movement in available for sale reserve		(1,977)	1,996	(130)	130
Other comprehensive income for the period, net of tax		(1,977)	1,996	(130)	130
Total comprehensive income for the year		(27,525)	(14,086)	(1,794)	(921)

The notes on pages 32 to 87 form part of these financial statements.

** INR figures are unaudited*

Balance sheet at March 31, 2018

	Note	March 31, 2018	March 31, 2017	Convenience translation (Refer to Note 2 (b)) March 31, 2018	March 31, 2017
		USD 000s	USD 000s	INR million*	INR million*
Assets					
Cash and cash equivalents	16	500,246	333,702	32,604	21,749
Loans and advances to banks	17	137,553	55,226	8,965	3,599
Loans and advances to customers	18	2,365,651	2,332,132	154,181	151,997
Investment in Treasury Bills	21	192,094	74,127	12,520	4,831
Other Investment Securities	21	612,801	609,179	39,940	39,703
Derivative financial instruments	41	24,295	25,750	1,583	1,678
Tangible fixed assets	22	2,572	3,126	168	205
Intangible fixed assets	22	204	343	13	22
Other assets	23	30,380	29,326	1,980	1,911
Prepayment and accrued income		18,544	16,855	1,209	1,099
Total assets		3,884,340	3,479,766	253,163	226,794
Liabilities					
Deposits by banks	24	916,438	602,425	59,729	39,262
Customer accounts	25	1,748,820	1,648,588	113,979	107,447
Bonds and medium term notes	26	359,781	344,197	23,449	22,433
Subordinated liabilities	27	149,880	176,149	9,768	11,481
Derivative financial instruments	41	17,572	15,719	1,145	1,025
Other liabilities	28	13,066	10,578	852	689
Accruals and deferred income		21,045	19,096	1,372	1,245
Repurchase Agreements	29	150,986	129,784	9,841	8,459
Total Liabilities		3,377,588	2,946,536	220,135	192,041
Shareholders' funds:					
Issued share capital	30	420,095	420,095	27,380	27,380
Capital contribution		10,168	9,121	663	594
Retained earnings		87,002	112,550	5,671	7,335
Available for sale reserve		(10,513)	(8,536)	(686)	(556)
Total Equity		506,752	533,230	33,028	34,753
Total Equity and Liabilities		3,884,340	3,479,766	253,163	226,794

The notes on pages 32 to 87 form part of these financial statements. These financial statements were approved by the Board of Directors on April 26, 2018 and were signed on its behalf by:

Sudhir Dole
Managing Director
& Chief Executive Officer
ICICI Bank UK PLC
Registered number 4663024

Aarti Sharma
Chief Financial Officer
& Company Secretary

** INR figures are unaudited*

Statement of change in equity
for the year ended March 31, 2018

	Issued Share Capital	Retained earnings	Other Comprehensive Income	Capital contribution	Total
	USD 000s	USD 000s	USD 000s	USD 000s	USD 000s
As at April 1, 2016	420,095	128,632	(10,532)	7,332	545,527
Capital contribution (share based payments)	-	-	-	1,789	1,789
Other comprehensive income	-	-	1,996	-	1,996
(Loss)/Profit on ordinary activities after tax	-	(16,082)	-	-	(16,082)
Dividends paid	-	-	-	-	-
As at April 1, 2017	420,095	112,550	(8,536)	9,121	533,230
Capital contribution (share based payments)	-	-	-	1,047	1,047
Other comprehensive income	-	-	(1,977)	-	(1,977)
(Loss)/Profit on ordinary activities after tax	-	(25,548)	-	-	(25,548)
Dividends paid	-	-	-	-	-
Closing shareholders' funds as at March 31, 2018	**420,095**	**87,002**	**(10,513)**	**10,168**	**506,752**

The notes on pages 32 to 87 form part of these financial statements.

** INR figures are not unaudited*

Convenience translation* (Refer to Note 2 (b))	**Issued Share Capital**	**Retained earnings**	**Other Comprehensive Income**	**Capital Contribution**	**Total**
	INR million	**INR million**	**INR million**	**INR million**	**INR million**
As at April 1, 2016	27,380	8,386	(686)	478	35,558
Capital contribution (share based payments)	-	-	-	116	116
Other comprehensive income	-	-	130	-	130
Profit on ordinary activities after tax	-	(1,051)	-	-	(1,051)
Dividends paid	-	-	-	-	-
As at April 1, 2017	**27,380**	**7,335**	**(556)**	**594**	**34,753**
Capital contribution (share based payments)	-	-	-	69	69
Other comprehensive income	-	-	(130)	-	(130)
(Loss)/Profit on ordinary activities after tax	-	(1,664)	-	-	(1,664)
Dividends paid	-	-	-	-	-
Closing shareholders' funds as at March 31, 2018	27,380	5,671	(686)	663	33,028

The notes on pages 32 to 87 form part of these financial statements.

* *INR figures are unaudited*

Notes

(Forming part of the financial statements)

1 Reporting entity

ICICI Bank UK PLC ("ICICI Bank" or "the Bank"), is a Company incorporated in the United Kingdom. The Bank's registered address is - One Thomas More Square, London E1W 1YN. The Bank is primarily involved in providing a wide range of banking and financial services including retail banking, corporate and commercial banking, trade finance and treasury services.

2 Basis of preparation

The Bank has prepared its annual accounts in accordance to Financial Reporting Standard 102 (FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') as issued in September 2015 with reduced disclosures. The Bank has also chosen to apply the recognition and measurement provision of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), in accordance with FRS 102.

In these financial statements, the Bank is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Certain disclosures required by FRS 102.26 Share Based Payments.

The financial statements have been prepared under the historical cost convention in accordance with the special provisions of Part XV of the Companies Act 2006 relating to banking companies and applicable accounting standards except for derivative financial instruments, financial instruments at fair value through profit or loss and available for sale financial assets which are valued at fair value.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The significant judgements and estimates have been stated in note 4.

(a) Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

(b) Functional and presentation currency and convenience translation

The financial statements are prepared and presented in US Dollars, which is the functional currency of the Bank as it represents the currency of the primary economic environment in which the Bank operates. A significant proportion of the Bank's assets and revenues are transacted in US Dollars. All amounts in the financial statements have been rounded to the nearest $1,000. The financials are also presented in Indian Rupee (INR) currency for convenience using the year end exchange rate. These numbers are proforma only and should not be regarded as being audited and in compliance with FRS102.

(c) Cash flow exemptions

Under section 1 of FRS 102, the Bank is exempted from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Bank in its own published consolidated financial statements. (See Note 44).

(d) Related party transactions

As the Bank is a wholly owned subsidiary of ICICI Bank Limited, the Bank has taken advantage of the exemption contained in section 33 of FRS 102 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of ICICI Bank Limited and disclosure requirement of any transactions with key management personnel of the entity or its parent. (See Note 44).

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(e) Going concern

The financial statements are prepared on a going concern basis as the Bank is satisfied that it has the resources to continue its business for the foreseeable future. The Bank meets its liquidity requirements through managing both retail and wholesale funding sources and meets the regulatory liquidity requirements through maintaining liquid assets. With regard to Capital, the Bank maintains adequate surplus over regulatory capital requirements. The Bank's risk management policies and procedures are outlined in Note 38.

The Bank is a wholly owned subsidiary of ICICI Bank Limited. The parent bank has issued a letter of comfort to the Bank's regulators, the Financial Services Authority (FSA), now the PRA, stating that the parent bank intends to financially support the Bank in ensuring that it meets all of its financial obligations as they fall due. In addition, the Bank's forecasts and projections, taking account of possible changes in its business model in subsequent years, including stress testing and scenario analysis, show that the Bank will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. In making their assessment, the Directors have also considered future projections of profitability, cash flows and capital resources as well as the strategic review of the business model which is conducted on a periodic basis. The Bank has been maintaining adequate capital and Tier 1 capital ratio. During FY2018, despite the losses, the capital and liquidity position of the Bank remained adequate. The Directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future and therefore it is appropriate to prepare the Annual Accounts on a going concern basis.

3 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Interest income and expense

Interest income and expense are recognised in profit and loss account using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates the future cash flows considering all contractual terms of the financial instruments but not the credit losses. The effective interest rate is established on initial recognition (or upon reclassification) of the financial asset and liability and is not revised subsequently.

(b) **Fees and commissions income and expense**

Fees and commission are recognised in the profit and loss account when the service has been rendered, except when those fees are an adjustment to the yield on the related asset, in which case they are amortised over the expected maturity of the asset using the effective interest rate method. Fees and commissions which are directly attributable to the issuance of the borrowings are expensed to the profit and loss account over the life of the borrowing raised using the effective interest rate method and are included in interest expense.

(c) **Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into US Dollars at the rate of exchange ruling at the date of the transaction. The Germany and Belgium branches are treated as an extension of the UK bank's activities and accordingly the translation approach is in compliance with FRS 102.30.5.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(d) **Financial assets and financial liabilities**

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date of origination.

The Bank classifies its financial assets in the following categories: financial instruments at fair value through profit and loss; loans and receivables; available for sale financial assets and held to maturity investments. The management determines the classification of financial assets at initial recognition. The Bank derecognises financials assets if all the risks and rewards of ownership of the financial asset are substantially transferred and the bank recognises assets or liabilities for any rights and obligations created or retained in the transfer. On derecognition of a financial asset in its entirety, the difference between (a) the carrying amount and (b) the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Bank retains substantially all the risks and rewards of ownership of the financial asset, the Bank continues to recognise the financial asset.

Financial instruments are recognised at trade date, being the date on which the Bank commits to purchase or sell the instruments.

Financial liabilities (other than derivatives) are measured at amortised cost and are recognised at value date (or settlement date). They are de-recognised when liabilities are extinguished.

(e) **Investment securities**

Investment securities are initially measured at fair value plus incremental direct transaction costs except when the investments are classified at fair value through profit and loss as described in Note

3*(h)*. The investments are subsequently accounted for, depending on their classification, as either held to maturity, loans and receivable, fair value through profit or loss, or available for sale.

(f) Loans and receivables

Loans and receivables, which include loans and advances, finance lease receivables and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as held for trading, designated at fair value through profit and loss, available for sale or held to maturity. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using effective interest rate method. Loans and receivables are stated at amortised cost after deduction of amounts which are required as impairment provisions. Where loans have been acquired at a premium or discount, these premiums and discounts are amortised through the profit and loss account from the date of acquisition to the expected date of maturity using the effective interest rate method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the financial statements.

Policy in relation to impairment: The Policy on impairment of loans and receivables is described in Note 4.

Policy in relation to write-offs: The Bank considers exposure for write off when the prospect of recovery over the next 12 months is remote and interest has not been serviced for the past 12 months. Any amount written off is in the first instance applied against specific provision for the exposure. In the normal course of business the loss to be written off will already have been fully provided. Any decision for a write-off is approved by the Board Credit Committee of the Bank.

Policy in relation to write back: If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal of impairment allowance and any recovery related to a written off asset shall be recognised in profit or loss.

(g) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, on the measurement date. This is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible.

When independent prices are not available or if the market for a financial instrument is not active, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Fair values of financial instruments may be determined in whole or in part using valuation techniques that are not supported by prices from current market transactions or observable market data.

In case of unobservable inputs or in case of unlisted entities, the inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which the level at which an arm's length transaction would occur under normal business conditions could be determined. In such cases, estimates are made in the valuation technique to reflect uncertainties in fair values resulting from a lack of market data inputs. These include most recent arm's length transaction between knowledgeable, willing parties; reference to fair value of a similar instrument; discounted cash flow; or option pricing models.

However, the valuation techniques incorporate all factors that market participants have considered in setting a price; and have been consistent with accepted economic methodologies for pricing financial instruments.

Note 21 provide a detailed disclosure regarding classification and Fair value of instruments held by the Bank.

(h) **Financial instruments at fair value through profit and loss**

Financial instruments are classified in this category if they are held for trading. Instruments are classified as held for trading if they are:

i) Acquired/incurred principally for the purposes of selling or repurchasing in the near term;

ii) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii) It is a derivative (except for derivative that is a financial guarantee contract or a designated as effective hedging instrument).

Financial instruments cannot be transferred into or out of this category after inception except certain assets on reclassification. Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the profit and loss account. Financial instruments at fair value through profit and loss include debt securities which are held for trading and valued at fair value.

Derivatives are carried at fair value in the balance sheet and shown under the heading 'Derivative Financial instruments. Valuation adjustments to cover credit and market liquidity risks are made with gains and losses taken directly to the profit and loss account and reported within income/(loss) on financial instruments at fair value through profit and loss. The credit valuation adjustment is an adjustment to the valuation of Over the Counter (OTC) derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Bank may not receive the full market value of the transactions. The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Bank may default, and that the Bank may not pay full market value of the transactions.

Positive and negative fair values of derivatives are offset where the contracts have been entered into under netting agreements or other arrangements that represent a legally enforceable right of set-off, which will survive the liquidation of either party, and there is the intention to settle net.

The Bank uses a Central Clearing Counterparty (CCP) for clearing its certain classes of OTC derivatives to reduce counterparty credit risk.

(i) **Held to maturity financial assets**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

(j) Available for sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gain or loss on an available-for-sale financial asset is recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method and the dividends on an available-for-sale equity instrument are recognised in profit or loss when the right to receive payment is established.

Impairment losses on available for sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit and loss account. The cumulative loss that is removed from equity and recognised in profit and loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss account.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss account, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss account. However, any subsequent recovery in the fair value of an impaired available for sale equity investment is recognised directly in reserves since it cannot be reversed through the profit and loss account.

(k) Derivatives held for risk management purposes and hedge accounting instruments and hedging activities

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps, futures, forward rate agreements, currency swaps, options and similar instruments, for trading and non-trading purposes. Depending on the nature of the hedge, a relationship may be designated as a hedge instrument either for a fair value of a recognised fixed rate asset or liability or an unrecognised firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of future cash flows of a floating rate asset or liability (cash flow hedge) or a foreign-currency fair value or cash flow hedge (foreign currency hedge). All derivatives are recorded under the heading 'Derivative financial instruments' on the balance sheet at their respective fair values with unrealised gains and losses recorded in reserves in case of cash flow hedge or in the profit and loss account in case of fair value hedge. Derivatives that do not meet the criteria for designation as a hedge instrument under IAS 39 at inception, or fail to meet the criteria thereafter, are accounted for in other assets/other liabilities with changes in fair value recorded in the profit and loss account.

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk are recorded in the profit and loss account. To the extent of the effectiveness of a hedge, changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, are recorded in reserves. For all hedging relationships, ineffectiveness resulting from differences between the changes in fair value or cash flows of the hedged item and changes in the fair value of the derivative are recognised in the profit and loss account .

At the inception of a hedge transaction, the Bank formally documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for measuring effectiveness. In addition, the Bank assesses both at the inception of the hedge and on an ongoing quarterly basis, whether the derivative used in the hedging transaction has been highly effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective.

The Bank discontinues hedge accounting prospectively when it is either determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortised or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flow or forecasted transaction is still expected to occur, gains and losses shall remain in reserves until the forecast transaction occurs. Gains and losses are recognised in the profit and loss account immediately if the cash flow hedge was discontinued because a forecasted transaction did not occur.

(l) Other derivatives

The Bank may occasionally enter into a hybrid contract that consists of a non-derivative host contract and an embedded derivative. The Bank accounts for an embedded derivative separately from host contract when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value. A separated derivative may be designated as a hedge; otherwise, the derivative is recorded as a freestanding derivative. Such financial instruments stand extinguished at the time of conversion e.g. debt into equity, sale and maturity.

***(m)* Sale and repurchase agreements**

When securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet as, in substance, these transactions are in the nature of secured borrowings. As a result of these transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction.

***(n)* Identification and measurement of impairment**

Impairment provisions/charges are made where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows from the asset that can be reliably estimated. Losses expected as a result of future events are not recognised. Evidence of impairment is considered on both individual and portfolio basis.

Refer Note 4 (a) and Note 4 (b) for the detailed policy guidance.

***(o)* Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets. Depreciation on intangible assets is provided on a straight-line basis over their estimated useful economic life. The useful economic life of the fixed assets is expected as follows:

Leasehold improvements	Over the lease period
Office equipment	6 – 7 years
Furniture, fixtures and fittings	6 – 7 years
Computer hardware	3 – 4 years
Software	Over the estimated useful life[1]

[1]The useful life is on an average is currently between 1-5 years

Depreciation methods, useful life and residual values are reviewed at each balance sheet date. Depreciation is charged to the profit and loss account for all the fixed assets.

(p) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present, legal or constructive obligation, which has arisen as a result of a past event and for which a reliable estimate can be made of the amount of the obligation. All significant provisions have been discounted for current market assessments and the time value of money.

(q) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the sources of debt funding. These are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(r) Income tax expense

Income tax expense comprises current and deferred tax. Income tax and deferred tax expense is recognised in the profit and loss statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date and includes any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, in respect of all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes including carry forward losses. As required by section 29 of FRS 102 "Deferred Tax", deferred tax is measured at the tax rates expected to be applied to the temporary difference when they reverse, based on the tax laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient future taxable profits from which the future reversal of the underlying timing differences can be deducted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Employee benefits

The Bank operates a stakeholder defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account as incurred.

(t) **Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the non-cancellable lease term provided the same is ascertainable unless another basis is more appropriate.

Income from sub lease: Income from sub lease is booked in other operating income line of the profit and loss account on a straight line basis over the remaining term of the sub lease.

(u) **Share based payments**

The Parent Bank (ICICI Bank Limited) has issued share options to the employees of ICICI Bank UK PLC. These transactions are recognised as equity-settled share based payments. The expense is recognised over the vesting period based on the market value of shares as on the date of grant of shares, adjusted for the number of the employees leaving the Bank. A capital contribution from the Parent Bank is recognised in the books over the vesting period in the shareholders' funds. Under FRS 102 Section 26, a subsidiary should recognise an expense in its profit and loss account to reflect the effective remuneration paid to employees in respect of share awards granted by the Parent Bank. The corresponding entry is to equity as the amounts are considered to be capital contributions by the Parent Bank.

As the Bank is a wholly owned subsidiary of ICICI Bank Limited, the Bank has taken advantage of the exemption contained in section 26 of FRS 102 and has therefore not disclosed certain information under section 26.18(b), 26.19 to 26.23 of FRS 102.

(v) **Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

(w) **Other liabilities**

The other liabilities consist of liabilities for the creditors, settlement balances, derivatives financial instruments, Corporation tax payable and other creditors. The derivative financial instruments are measured at fair value through profit and loss; other creditors are measured at amortised cost. These liabilities are de-recognised when liabilities are extinguished.

(x) **Share Capital**

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

4 Significant judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Considering the inherent uncertainty and subjectivity in making judgements and estimates, outcomes in future periods may be different from those on which the management's estimates are based. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Bank's results and financial position, based upon significant judgements and estimates, are discussed below.

(a) **Allowances for credit losses**

The Bank regularly reviews its loan portfolio to assess for impairment. Provisions are established to recognise incurred losses in the loan portfolio carried at amortised cost. In determining whether an impairment has occurred at the balance sheet date, the Bank assesses if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment rather the combined effect of several events may have caused the impairment.

The Credit Risk Management Policy (CRMP) outlines the provisioning policy of the Bank which includes the approach to holding collective and specific provisions. During the year, the policy was amended for enhancing the objectivity in the impairment classification process and to enhance the alignment with regulatory benchmarks for exposures in default.

i) All exposures past due for 90 days or more are classified as impaired unless restructuring terms have been substantially agreed and are due to be implemented over next 60 days.

The Bank's policies governing specific impairment, restructuring/renegotiation and collective provision are detailed below:

ii) **Specific impairment:** In accordance with the Bank's Credit Risk Management Policy (CRMP), the Bank identifies on a monthly basis, cases that are internally rated 'B' or below and/or significantly in breach of any covenants, including delays in debt servicing and/or where there is an expectation of significant credit deterioration.

    Borrower's financial difficulty/credit deterioration/trigger event: The Bank assesses an asset for specific impairment if it becomes probable that the borrower is facing significant financial difficulty. The Bank also assesses for specific impairment and makes specific provision if necessary, if there is evidence of any significant credit deterioration or any event which indicates a reduced ability for the borrower to repay its interest and principal. The indicators of impairment can include, among other things:

    a) Net worth of the risk counterparty/borrower turning negative
    b) Delay in interest and or principal repayments
    c) Breach in financial covenants
    d) Likelihood of borrower entering bankruptcy/ financial reorganization.
    e) *Rating downgrade by external credit rating agencies.*
    f) National or local economic conditions that correlate with defaults on the assets in the borrower group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).
    g) Substantial decline in value of security provided to the Bank, especially when security is prime consideration for the lending. The unsecured portion of the exposure may be subjected to impairment testing.
    h) Invocation of contractual comfort by the Bank such as corporate guarantee/put option which is not honoured by the counterparty.

Identification of specific impairment in an account: The Bank's policy is to identify and recognize impairment in a loan when it is probable that the Bank will not be able to collect, or there is no longer a reasonable certainty that the Bank will collect all amounts due according to the contractual terms of the loan agreement. The Bank's policy is to identify and recognize impairment in a loan when it is probable that the Bank will not be able to collect, or there is no longer a reasonable certainty that the Bank will collect all amounts due according to the contractual terms of the loan agreement.

The following disclosure practices have been adopted in Note 19:

- Loans are disclosed as impaired where an individual allowance has been raised against the loan.
- All exposures past due for 90 days or more are classified as impaired unless restructuring terms have been substantially agreed and are due to be implemented over next 60 days.
- Exposures past due for less than 90 days not classified as impaired include (i) loans with overdue principal, interest or other amounts at the balance sheet date but no loss is expected; and (ii) past due loans with adequate collateral cover.

The objective of the policy is to maintain an appropriate level of provision reflective of the risk profile of the loan portfolio. It is not the Bank's policy to systematically over-provide or under-provide for its Credit Risk. The provision weightings included in the policy document are continually monitored against the lending experience of the Bank and are periodically adjusted to reflect such experience.

The Bank's policy is predicated on the premise that regardless of the quality of a lending institution and of its systems and procedures and of its client base the business of extending credit carries the intrinsic risk of such credit not being repaid and monies advanced proving to be irrecoverable. In accordance with the guidelines of FRS 102, an impairment loss for financial assets measured at amortized cost is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The estimated future cash flows take into account only the credit losses that have been incurred at the time of the impairment loss calculation. In case the expected cash flows are not available, the breakup value of security/collateral for respective facilities under watch is calculated in accordance with the Bank's collateral valuation policy. In line with accounting guidelines, the Bank recognises an impairment loss equal to the best estimate within the range of reasonably possibly outcomes, taking into account all relevant information available about conditions existing at the end of the reporting period. For determining the specific provisions on individual impaired cases, the management exercises judgment involving matters such as realisable value of the security, estimation of the future cash flows and their timing. Consequently these allowances can be subject to variation as time progresses and the circumstances of the borrower become clearer.

iii) **Restructured/renegotiated cases and Forbearance**: A restructured account is one where the Bank, for economic or legal reasons relating to the borrower's difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of the terms of advances/securities which could include alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competition). The restructuring of an asset is only granted in situations where the customer has showed a willingness to repay the borrowing and is expected to be able to meet the revised terms of the restructuring. The Bank measures a restructured troubled loan by reducing its recorded value to its net realisable value, taking into account the cost of all concessions at the date of the restructuring. The reduction in the carrying value is recorded as a charge to the profit and loss statement in the period in which the loan is restructured.

In relation to loans and advances, the modifications of terms and conditions related to security and collateral arrangements or the waiver of certain covenants which do not affect payment arrangements, are not regarded as sufficient indicators of impairment or restructuring, as such changes do not necessarily indicate credit issues affecting the borrower's payment ability.

The Bank charges penal interest to the borrower for any delay in interest/principal payment unless a waiver has been approved by the Bank's relevant authority. As per the Bank's practice, such waivers are given in exceptional circumstances which could be mainly related to procedural delays in receiving the interest/principal payment by the due date.

The Bank derecognises a loan when there are substantial modifications to the terms of the loan on restructuring The Bank performs qualitative and quantitative evaluation of whether cash flows of original assets and the modified or replacement assets are substantially different.

iv) **Collective provision:** Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics, when there is objective evidence to suggest that they contain impaired claims, but, the individual impaired items cannot yet be identified. In assessing the need for collective impairment allowances, management considers factors such as historical loss trends, credit quality of the portfolio, portfolio size, concentrations, and economic factors. The aggregate amount of specific and collective provisions is intended to be sufficient to absorb estimated credit losses generated in the loan portfolio.

The collective impairment policy as defined in the CRMP stipulates that collective provision, based on the credit rating of the exposures, needs to be provided in respect of the entire performing loan and receivables portfolio. The Bank has followed FRS 102 guidelines for defining its collective impairment policy wherein the provisioning is determined by the extent of the underlying credit risk in the portfolio of the Bank. This is also the direction provided by the Basel Accord. The exposures that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. In line with market practice, the Bank has been using a representative set of Probability of Default (PD)/Loss Given Default (LGD) data to determine the extent of provisioning required to be made by the Bank in respect of its performing loan portfolio on a collective basis. The aggregate provisioning requirement is arrived at by multiplying the outstanding amounts under each portfolio type (internally rated and externally rated exposures) on the relevant date with the corresponding PD and LGD.

In the absence of adequate internal default history and on account of a similar internal credit rating scale, the Bank has used Probability of Default (PD) data of its Parent (ICICI Bank Limited) for estimating the collective provisioning on its internally rated India country of exposure portfolio. For the internally rated non-India country of exposure portfolio, the Bank has used PD data from Moody's, corresponding to the geographies which make up the majority of its non-India exposures. The Bank considers a time horizon of one year to be appropriate for estimating collective provisions, as it believes that this is reflective of the emergence period for losses in its portfolio. The Bank has used historical PDs over a ten year look back period for the India-linked, non-India linked and externally rated portfolios to calculate the collective provision. The Bank has a framework for applying economic scalars for each portfolio which are applied while estimating the collective provision and are reviewed periodically. The economic scalars takes into account macroeconomic factors as well as variables relevant to the Bank's customer base. The LGD for the externally rated ABS portfolio has been assumed at 50.0% based on S&P's experience of recovery rates. For the internally rated portfolio, the LGD has been calculated based on the collateral available with the Bank. LGD and haircuts applicable for each collateral as prescribed in Basel II guidelines have been considered. The historical average PD data being used covers a full economic cycle and captures periods of low economic activity when relatively higher default rates were observed.

(b) Impairment of available for sale financial assets

The Bank regularly reviews its available for sale securities portfolio to assess for impairment. The Bank considers all available evidence, including observable market data or information about events specifically relating to the securities which may result in a shortfall in recovery of future cash flows. These events may include a significant financial difficulty of the issuer, a breach of contract such as a default, bankruptcy or other financial reorganisation, or the disappearance of an active market for the debt security because of financial difficulties relating to the issuer, information about the issuer's liquidity, business and financial risk exposures, level of and trends in default for similar financial assets and national and local economic conditions. While assessing ABS for objective evidence of impairment, the Bank considers the performance of the underlying collateral, changes in credit rating, credit enhancements, default events etc. Once impairment has been identified, the amount of impairment is measured based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss. In determining whether an impairment event has occurred at the balance sheet date, the Bank considers whether there is any observable data which comprises evidence of the occurrence of a loss event, and evidence that the loss event results in a decrease in estimated future cash flows or their timings. Such observable data includes any adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on loan repayment obligations.

Available-for-sale equity investments: A significant or prolonged decline in the fair value of the equity below its cost is an objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

The negative mark to market (MTM) on the AFS portfolio is monitored by the Bank on a regular basis. The Bank follows its valuation policy for valuing its AFS portfolio (refer point (c) relating to 'Valuation of financial instruments' below).

(c) Valuation of financial instruments

The Bank values its available for sale and held for trading investment securities at fair market value. The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, or the financial instruments are traded infrequently and have little price transparency or the fair value is less objective, and requires varying degrees of judgment, the Bank uses valuation techniques to arrive at the fair value. The valuation techniques employ observable market data to calculate fair values, including comparisons with similar financial instruments for which market observable prices exist. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. The Bank values the equity option embedded in the financial instruments such as FCCBs based on valuation techniques with observable market inputs.

(d) Deferred Tax Asset

A Deferred Tax Asset (DTA) is recognised after being assessed as recoverable on the basis of available evidence including projected profits, capital and liquidity position. The management makes an assessment of a deferred tax asset which is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5 Interest income and similar income

Interest income is recognised in profit and loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument (or where appropriate, a shorter period) to the carrying amount of the financial asset.

	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	Year ended March 31, 2018 INR million*	Year ended March 31, 2017 INR million*
Interest income on financial assets under AFS category	11,523	10,602	751	691
Interest income on financial assets under HTM category	9,940	10,021	648	653
Interest income on financial assets under Loans and receivable category	90,851	95,693	5,921	6,237
Interest income on financial assets measured at FVTPL	2,955	2,094	193	136
	115,269	118,410	7,513	7,717

6 Interest expenses

Interest expense is recognised in profit and loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or where appropriate, a shorter period) to the carrying amount of the financial liability.

	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	Year ended March 31, 2018 INR million*	Year ended March 31, 2017 INR million*
Interest expense on financial liabilities measured at amortised cost	(48,364)	(52,884)	(3,151)	(3,447)
Total	(48,364)	(52,884)	(3,151)	(3,447)

7 Income/(Loss) on financial instruments at fair value through profit and loss

(Loss)/Income on financial instruments at fair value through profit and loss consists of unrealised and realised gains or losses on transactions in securities and derivatives.

	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	Year ended March 31, 2018 INR million*	Year ended March 31, 2017 INR million*
Realised gains/(losses) on derivative instruments	4,379	3,071	285	200
Unrealised gains/(losses) on derivative instruments#	(6,661)	(4,161)	(434)	(271)
Total	(2,282)	(1,090)	(149)	(71)

#includes MTM on terminated hedge deals having an offset in NII on account of amortisation of MTM on the underlying deals.

** INR figures are unaudited*

8 Administrative expenses

	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	Year ended March 31, 2018 INR million*	Year ended March 31, 2017 INR million*
Staff costs (including Directors' emoluments):				
- Wages and salaries	19,373	18,277	1,263	1,191
- Social security costs	1,623	1,276	106	83
- Other pension costs	475	457	31	30
Operating lease expenses	1,836	2,555	120	167
Other administrative expenses	10,828	10,485	705	683
Total	34,135	33,050	2,225	2,154

The number of persons employed by the Bank (including Directors) during the year was as follows:

	Year ended March 31, 2018 No. of Employees	Year ended March 31, 2017 No. of Employees
Management	55	51
Non Management	123	141
Total	178	192

9 Auditor's remuneration

	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	Year ended March 31, 2018 INR million*	Year ended March 31, 2017 INR million*
Fees payable to the Bank's statutory auditors and their associates for the audit of Bank's annual accounts	475	436	31	29
Fees payable to the Bank's statutory auditors and their associates for other services:				
Audit related assurance services	399	417	26	27
Tax compliance services#	-	7	-	-
Total	874	860	57	56

#During FY2017, the Bank engaged another firm to provide tax compliance services following EU audit reform based on which the statutory auditors are not permitted to provide tax compliance services.

10 Segmental reporting

The Board reviews the Bank's performance as a single business and does not seek to allocate major resources such as capital, liquidity and funding into the different customer groups (Corporate and Commercial, Retail and Treasury).

** INR figures are unaudited*

11 Taxation

(a) Analysis of charge/(credit) in the year

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
	USD 000s	USD 000s	INR million*	INR million*
UK Corporation tax at 19% (2017: 20%)				
Overseas corporation charge	1279	2159	84	141
Double Tax Relief	-	-	-	-
Adjustments for prior years	(279)	(1,381)	(18)	(90)
	1,000	778	66	51
Deferred tax charge/(credit)	-	-	-	-
- Origination/timing and rate difference	(5,856)	(3,285)	(382)	(214)
Total Tax for the year ended March 31	(4,856)	(2,507)	(316)	(163)

(b) **Analysis of total taxation in the year**

USD 000s

	Year ended March 31, 2018			Year ended March 31, 2017		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	1000	(5,856)	(4,856)	778	(3,285)	(2,507)
Recognised in other comprehensive income#	-	(565)	(565)	1,456	1,481	2,937
Total tax	1000	(6,421)	(5,421)	2,234	(1,804)	430

NR million*

	Year ended March 31, 2018			Year ended March 31, 2017		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	66	(382)	(316)	51	(214)	(163)
Recognised in other comprehensive income#	-	(37)	(37)	95	97	192
Total tax	66	(419)	(353)	146	(117)	29

#The USD 1.5 million current tax charge to OCI is a prior year adjustment relating to the change in the tax rules and includes amounts relating to 2017.

** INR figures are unaudited*

(c) **Total tax reconciliation**

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
	USD 000s	USD 000s	INR million*	INR million*
(Loss)/Profit before tax	(30,404)	(18,589)	(1,980)	(1,214)
Tax using the UK CT rate of 20% (2017: 20%)	(5,777)	(3,718)	(376)	(242)
Add effects of:				
- Overseas corporate taxes	1,279	2,159	83	141
- Expenses not tax deductible	13	336	1	22
- On timing differences	(72)	(15)	(5)	(1)
- Adjustment for prior years	(292)	(1,381)	(19)	(90)
- Rate differential/reversal of DTA	(7)	112	-	7
Total tax for year ended March 31	(4,856)	(2,507)	(316)	(163)

(d) **Movement in Deferred tax**

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
Deferred Tax Asset	USD 000s	USD 000s	INR million*	INR million*
Balance as at April 1	4,266	44	278	3
Origination and timing differences;				
- on consolidated taxable losses	4,889	1,773	319	116
- on timing difference on fixed assets	72	142	5	9
- on AFS losses	447	2,307	29	150
	9,674	4,266	631	278
Deferred Tax Liability				
Balance as at April 1	(2,419)	-	(158)	-
Origination and timing differences;				
- on AFS transitional adjustment	1,013	(2,275)	66	(149)
- on equity gains	-	(144)	-	(9)
	(1,406)	(2,419)	(92)	(158)
Net Deferred Tax as at March 31	8,268	1,847	539	120

(e) **Deferred tax is composed of the tax impact of the following items:**

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
	USD 000s	USD 000s	INR million*	INR million*
Effect of:				
- On consolidated losses	6,662	1,773	434	115
- On timing difference on fixed assets	257	185	17	12
- On equity gains	(149)	(144)	(10)	(9)
- On AFS	1,498	33	98	2
Total	8,268	1,847	539	120

** INR figures are unaudited*

(f) Factors that may affect future tax charges: Reductions in the UK corporation tax rate from 20% to 19% (effective from April 1, 2017) and to 17% (effective April 1, 2020) were substantively enacted on October 26, 2015 and September 6, 2016 respectively. These reductions will reduce the company's future current tax charge accordingly. The deferred tax asset created on consolidated losses and timing difference on fixed assets amounting to USD 6.9 million is expected to be utilised in the foreseeable future against future profits. As per the Finance Act 2017, the carry forward of losses arising pre April 1, 2017 will be subject to the loss restriction rules and would therefore only be available for offset against 50% of profits (subject to an amount of £5 million which can be relieved in full). The deferred tax liability of USD 0.15 million pertains to the gain on transfer of shares under share by share scheme. This liability would be payable at the time of sale of shares in future. The net deferred tax asset on AFS of USD 1.5 million represents deferred tax asset of USD 2.8 million created on unrealised Available For Sale (AFS) losses less deferred tax liabilities of USD 1.3 million reflecting liabilities pursuant to amendments in Finance Act 2015, relating to change in the timing of AFS gains and losses. As per UK tax law, the unused trading losses could be carried forward indefinitely. Tax rate for the Germany branch was 27.4% for FY2018.

12 Emoluments of Directors

	Year ended March 31, 2018 USD 000s	Year ended March 31, 2017 USD 000s	**Year ended March 31, 2018 INR million***	Year ended March 31, 2017 INR million*
Directors' fees and gross emoluments	**948**	823	**62**	54

The gross emoluments[1] of the highest paid director were USD 582,399 (INR* 37,957,828) (2017: USD 462,787; INR* 30,162,171) excluding share based payments. Post-employment benefits accruing for one director (2017: One) under a money purchase pension scheme amounted to USD 24,976 (INR* 1,627,799) in the current year (2017: USD 23,139; INR* 1,508,109). Stock options[2] were granted and exercised by one director (2017: One).

[1] Gross emoluments include base salary and performance bonus

[2] Refer note 13 for the details of the stock option scheme.

13 Share-based payments

During the year, USD 1.0 million (INR* 67.8 million) was charged to the profit and loss account in respect of equity-settled share-based payment transactions (2017: USD 1.8 million; INR* 116.6 million). This expense, which was computed from the fair values of the share-based payment transactions when granted, arose under employee share awards made in accordance with the ICICI Bank Limited group's reward structures.

Stock Option Scheme

In terms of an Employee Stock Option Scheme (ESOS), of the Parent Bank, options are granted to eligible employees and Directors of the Bank and its subsidiaries. As per the ESOS as amended from time to time, the maximum number of options granted to any employee/Director in a year is limited to 0.05% of the Parent Bank's issued equity shares at the time of the grant, and the aggregate of all such options is limited to 10% of Parent Bank's issued equity shares on the date of the grant. Until April 2013, options granted vest in a graded manner over a four year period, with 20%, 20%, 30% and 30% of the grants vesting in each year, commencing from the end of 12 months from the date of grant. Options granted from April 2014 onwards vest in a graded manner over a three-year period, with 30%, 30%, and 40% of the grants vesting in each year, commencing from the end of 12 months from the date of grant. During FY2017, the Parent Bank modified the terms of the scheme by amending the exercise period from 'ten years from the date of grant or five years from the date of vesting whichever is later' to 'ten years from the date of vesting'. The option expires after the exercisable period is over as above.

** INR figures are unaudited*

14 Related party transaction

The Bank enters into transactions with other related parties in the ordinary course of business. During the year, the Bank has not entered into any transactions with other related parties. The Bank is exempt from disclosing other related party transactions as they are with the companies that are wholly owned within the Group. (see note 2 (d))

15 Financial Services Compensation Scheme

The Financial Services Compensation Scheme ('FSCS') has provided compensation to consumers following the collapse during 2008 of a number of deposit takers such as Bradford & Bingley plc, Heritable Bank plc, Kaupthing Singer & Friedlander Limited, Landsbanki 'Icesave', Dunfermline Building Society and London Scottish Bank plc. The protection of consumer deposits is currently funded through loans from the Bank of England and HM Treasury. The Bank could be liable to pay a proportion of the outstanding borrowings that the FSCS has borrowed from HM Treasury which is currently forecasted at GBP 98 million, offset by recoveries of GBP 37 million, as per the FSCS Plan and Budget for 2018/2019. The Bank is also obligated to pay its share of forecast management expenses based on the Bank's market share of deposits protected under the FSCS. This levy is called the specified deposit defaults (SDD) levy. As per the FSCS Plan and Budget for 2018/2019, FSCS expects to levy the deposit taking sector a total of GBP 336 million of indicative annual levy compared to a final levy of GBP 316 million for 2017/18. The Bank is obligated to pay its share of interest cost based on the Bank's market share of deposits protected under the FSCS. The actual amount of levy will be billed to the Bank based on its share of deposits protected under the FSCS.

The Bank has recognized an expense of USD 0.5 million (INR* 35 million) during FY2018 (FY2017: USD 1.1 million; INR* 71 million), in respect of all statutory levies. This mainly includes the Bank's share of the SDD levy management expense, including interest costs and regular deposit protection charges. The Bank has accrued the SDD levy based on its estimated share of total market protected deposits. The Bank has adopted IFRIC 21 'Levies', effective FY2014 for accounting of the FSCS liability as there is no equivalent guidance within FRS 102 and section 10 of FRS 102 (Accounting Policies) that allows for the use of alternative accounting framework, where this is the case.

16 Cash and cash equivalents

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Cash	**397**	377	**26**	25
Balances with Banks				
-Central Bank	**446,266**	281,910	**29,086**	18,373
-Other banks	**53,583**	51,415	**3,492**	3,351
	500,246	333,702	**32,604**	21,749

** INR figures are unaudited*

17 Loans and advances to banks

(a) Residual Maturity

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Banks				
Repayable on demand	-	-	-	-
Other loans and advances				
Remaining Maturity :				
1 year or less but over 3 months	40,082	51	2,612	3
3 months or less	96,335	55,007	6,279	3,585
	136,417	55,058	8,891	3,588
Parent and Group Companies				
Repayable on demand	-	-	-	-
Other loans and advances				
Remaining Maturity :				
5 year or less but over 1 year	1,049	-	68	-
1 year or less but over 3 months	103	-	7	-
3 months or less	-	208	-	14
	1,152	208	75	14
Sub Total	137,569	55,266	8,966	3,602
Collective provision	(16)	(40)	(1)	(3)
Specific impairment allowance	-	-	-	-
Total	137,553	55,226	8,965	3,599

(b) Concentration of exposure

The Bank has the following concentrations of gross loans and advances to banks:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Total gross advances to banks located in:				
UK	50,064	-	3,263	-
Europe	-	-	-	-
North America	-	-	-	-
India	82,192	55,266	5,357	3,602
Rest of the World	5,313	-	346	-
Total	137,569	55,266	8,966	3,602

Geographical concentration represents the country of risk exposure. Generally, the risk domicile of an exposure is identified as the country of residence of the borrower provided that the cash flows of the borrower and/or the value of the security adequately covers the loan exposure of the Bank.

(c) Loans to banks placed as collateral against borrowings from Central banks

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Carrying amount of loans	35,064	-	2,285	-

** INR figures are unaudited*

18 Loans and advances to customers

(a) Residual Maturity

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Repayable on demand or at short notice	10,740	1,216	701	80
Other loans and advances				
Remaining Maturity :				
Over 5 years	551,629	403,405	35,952	26,292
5 years or less but over 1 year	1,074,345	1,035,862	70,020	67,512
1 year or less but over 3 months	245,295	391,506	15,986	25,516
3 months or less	612,565	597,572	39,924	38,947
Sub total	2,494,574	2,429,561	162,583	158,347
Collective provision	(12,217)	(10,993)	(796)	(716)
Specific impairment allowance	(134,101)	(86,436)	(8,740)	(5,634)
Total	2,348,256	2,332,132	153,047	151,997

(b) Finance lease receivables

Residual Maturity

	March 31, 2018 USD 000s	March 31, 2018 INR million*
Remaining Maturity :		
Over 5 years	2,206	143
5 years or less but over 1 year	12,101	789
1 year or less but over 3 months	3,530	230
3 months or less	793	52
Sub total	18,630	1,214
Unearned income	(1,189)	(77)
Collective provision	(46)	(3)
Specific impairment allowance	-	-
Net investment in finance lease receivables	17,395	1,134
Over 5 years	2,146	140
5 years or less but over 1 year	11,326	738
1 year or less but over 3 months	3,237	211
3 months or less	686	45
	17,395	1,134

As at March 31, 2018, the Geographical concentrations of Net investment in finance lease receivables is in the UK. (2017: Nil Gross and Net investment)

** INR figures are unaudited*

(c) Concentration of exposure

Geographical concentrations of loans and advances to customers

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
UK	874,125	733,286	56,970	47,792
Europe	572,465	451,370	37,310	29,418
North America	489,185	359,244	31,883	23,414
India	437,026	707,582	28,483	46,117
Rest of the World	121,773	178,079	7,937	11,606
Total	2,494,574	2,429,561	162,583	158,347

Geographical concentration represents the country of risk exposure. Generally, the risk domicile of an exposure is identified as the country of residence of the borrower provided that the cash flows of the borrower and/or the value of the security adequately covers the loan exposure of the Bank.

(d) Loans to customers placed as collateral against borrowings from Central banks

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Carrying amount of loans	35,741	39,533	2,329	2,577

19 Potential credit risk on financial instruments

March 31, 2018 USD 000s

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	500,246	-	-	-	500,246
Loans and advances to banks	137,569	-	-	(16)	137,553
Loans and advances to customers	2,177,902	6,004	328,109	(146,364)	2,365,651
Investment securities	803,363	-	51,516	(49,984)	804,895
Derivative financial instruments	24,295	-	-	-	24,295
Other assets*:					
- Cheques in clearing	72	-	-	-	72
- Deposits receivable	6,812	-	-	-	6,812
- Unsettled securities	-	-	-	-	-
Accrued income and other receivables	30,847	-	-	-	30,847
Total financial instruments	3,681,106	6,004	379,625	(196,364)	3,870,371

** INR figures are unaudited*

March 31, 2018 — INR million*

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	**32,604**	-	-	-	**32,604**
Loans and advances to banks	**8,966**	-	-	(1)	**8,965**
Loans and advances to customers	**141,944**	391	21,385	(9,539)	**154,181**
Investment securities	**52,360**	-	3,358	(3,258)	**52,460**
Derivative financial instruments	**1,583**	-	-	-	**1,583**
Other assets**:					
- Cheques in clearing	**5**	-	-	-	**5**
- Deposits receivable	**444**	-	-	-	**444**
- Unsettled securities	-	-	-	-	-
Accrued income and other receivables	**2,010**	-	-	-	**2,010**
Total financial instruments	**239,916**	391	24,743	(12,798)	**252,252**

March 31, 2017 — USD 000s

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	333,702	-	-	-	333,702
Loans and advances to banks	55,266	-	-	(40)	55,226
Loans and advances to customers	2,113,728	3,787	312,046	(97,429)	2,332,132
Investment securities	681,686	-	51,514	(49,894)	683,306
Derivative financial instruments	25,709	-	41	-	25,750
Other assets**:					
- Cheques in clearing	53	-	-	-	53
- Deposits receivable	7,288	-	-	-	7,288
- Unsettled securities	13,965	-	-	-	13,965
Accrued income and other receivables	19,460	-	222	-	19,682
Total financial instruments	3,250,857	3,787	363,823	(147,363)	3,471,104

March 31, 2017 — INR million*

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	21,749	-	-	-	21,749
Loans and advances to banks	3,602	-	-	(3)	3,599
Loans and advances to customers	137,762	247	20,338	(6,350)	151,997
Investment securities	44,429	-	3,357	(3,252)	44,534
Derivative financial instruments	1,675	-	3	-	1,678
Other assets**:					
- Cheques in clearing	3	-	-	-	3
- Deposits receivable	476	-	-	-	476
- Unsettled securities	910	-	-	-	910
Accrued income and other receivables	1,268	-	14	-	1,282
Total financial instruments	211,874	247	23,712	(9,605)	226,228

**excludes deferred tax assets, prepaid expenses and fixed assets

** INR figures are unaudited*

Loans and advances to customers (including finance lease)

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Loans contractually overdue as to principal or interest				
- Less than 60 days	16,374	3,787	1,067	247
- 61 to 90 days	-	-	-	-
- more than 90 days	251,490	275,502	16,391	17,956
Total	267,864	279,289	17,458	18,203
Concentration of overdue exposure				
United Kingdom	-	3,787	-	247
Europe	-	30,314	-	1,976
India	244,806	223,421	15,955	14,561
Rest of the World	23,058	21,767	1,503	1,419
Total	267,864	279,289	17,458	18,203
Past due whether impaired or not				
Past due not impaired	6,004	3,787	391	247
Past due impaired	261,860	275,502	17,067	17,956
Total	267,864	279,289	17,458	18,203
Past due not impaired#				
- Less than 60 days	6,004	3,787	391	247
- 61 to 90 days		-		-
- more than 90 days		-		-
Total	6,004	3,787	391	247

#Past due not impaired are stated at the total value of the exposure. This excludes gross exposures with overdues which were paid subsequent to the yearend (FY2018 overdues USD 9.2 million (INR* 600 million) and FY2017 overdues of USD 0.8 million (INR* 52 million)).

Forbearance

The outstanding exposures for restructured/forborne loans are provided below:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Gross impaired loans	152,904	63,649	9,966	4,148
Less: Provisions	(43,358)	(33,963)	(2,826)	(2,213)
Net impaired loans	109,546	29,686	7,140	1,935
Gross non impaired loans	24,178	25,093	1,576	1,635
Past dues	-	-	-	-
Not past dues	24,178	25,093	1,576	1,635

** INR figures are unaudited*

20 Impairment on loans and advances

Net loan impairment charge to profit and loss account

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
New charges	**(76,804)**	(65,981)	**(5,006)**	(4,301)
Release of allowance	**-**	474	**-**	31
Write off /charge directly to profit and loss	**(1,906)**	(2,674)	**(124)**	(174)
	(78,710)	(68,181)	**(5,130)**	(4,444)

Movement in impairment allowance on loans and advances

	March 31, 2018 (USD 000s)			March 31, 2017 (USD 000s)		
	Specific Impairment	**Collective Provision**	Total	Specific Impairment	Collective Provision	Total
Opening Balance	**86,436**	**11,033**	**97,469**	71,108	11,558	82,666
Charge to profit and loss account	**75,558**	**1,246**	**76,804**	66,506	(525)	65,981
Other provision on interest income	**99**	**-**	**99**	-	-	-
Amounts written off	**(30,412)**	**-**	**(30,412)**	(50,532)	-	(50,532)
Recovery	**-**	**-**	**-**	(474)	-	(474)
Others (incl. FX)	**2,420**	**-**	**2,420**	(172)	-	(172)
Closing Balance	**134,101**	**12,279**	**146,380**	**86,436**	**11,033**	**97,469**

	March 31, 2018 (INR million*)			March 31, 2017 (INR million*)		
Opening Balance	**5,634**	**719**	**6,353**	4,634	753	5,387
Charge to profit and loss account	**4,925**	**81**	**5,006**	4,335	(34)	4,301
Other provision on interest income	**6**	**-**	**6**	-	-	-
Amounts written off	**(1,982)**	**-**	**(1,982)**	(3,293)	-	(3,293)
Recovery	**-**	**-**	**-**	(31)	-	(31)
Others (incl. FX)	**157**	**-**	**157**	(11)	-	(11)
Closing Balance	**8,740**	**800**	**9,540**	5,634	719	6,353

** INR figures are unaudited*

21 Investment securities

Classification of Investment securities

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Analysed by class:				
Government Securities	192,094	74,127	12,520	4,831
Other securities				
- Bonds	586,122	585,631	38,201	38,169
- Asset Backed Securities	19,557	17,990	1,275	1,172
- Equity	7,122	5,558	464	362
Total other securities	612,801	609,179	39,940	39,703
Total	804,895	683,306	52,460	44,534

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Analysed by issuer:				
Available for sale				
Issued by public bodies:				
Government Issued	173,884	56,663	11,332	3,693
Other Public sector securities	181,939	216,721	11,858	14,125
Issued by other issuers	187,152	146,743	12,198	9,564
Held to Maturity				
Government Issued	18,210	17,464	1,188	1,138
Issued by other issuers	243,710	245,715	15,884	16,014
Financial instruments at fair value through profit and loss				
Issued by other issuers	-	-	-	-
Total	804,895	683,306	52,460	44,534
Analysed by listing status:				
Available for sale				
Unlisted	123,798	10,376	8,070	676
Listed	419,177	409,751	27,320	26,705
Held to Maturity				
Listed	261,920	263,179	17,070	17,153
Financial instruments at fair value through profit and loss				
Unlisted	-	-	-	-
Total	804,895	683,306	52,460	44,534
Analysed by maturity#:				
Due within 1 year	213,514	82,185	13,917	5,356
Due 1 year and above	584,259	595,563	38,079	38,816
Total	797,773	677,748	51,996	44,172

#does not include USD 7.1 million (INR* 464 million) of investment in equity (FY2017: USD 5.6 million, INR* 362 million)

** INR figures are unaudited*

Investments placed as collateral against borrowings from Central banks

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Carrying value of investments	133,186	12,523	8,680	816

Impairment on investment securities

During the year the Bank made impairment provisions of USD 0.002 million on the investments through the profit and loss in respect of equity investments held as available for sale amounting to (Nil impairment provision in FY2017).

Valuation Hierarchy

The valuation hierarchy is set out below:

Level 1: Investments valued using unadjusted quoted prices in active markets.

Level 2: Investments valued using valuation techniques based on observable market data for instruments where markets are considered less than active. Instruments in this category are valued using:

(a) Quoted prices for similar assets, or identical assets in markets which are considered to be less than active; or

(b) Valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3: Investments valued using valuation model based on significant non market observable inputs.

Investments held at fair value at March 31, 2018, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	173,884	-	-	173,884
Bonds	321,234	21,178	-	342,412
Asset Backed Securities	-	19,557	-	19,557
Equity	1,533	1,115	4,474	7,122
Total	496,651	41,850	4,474	542,975

INR million*

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	11,332	-	-	11,332
Bonds	20,939	1,380	-	22,319
Asset Backed Securities	-	1,275	-	1,275
Equity	99	73	292	464
Total	32,370	2,728	292	35,390

** INR figures are unaudited*

Investments held at fair value at March 31, 2017, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	56,663	-	-	56,663
Bonds	339,916	-	-	339,916
Asset Backed Securities	17,990	-	-	17,990
Equity	1,622	828	3,108	5,558
Total	416,191	828	3,108	420,127

INR million*

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	3,693	-	-	3,693
Bonds	22,154	-	-	22,154
Asset Backed Securities	1,172	-	-	1,172
Equity	106	54	202	362
Total	27,125	54	202	27,381

Investments placed as collateral against liabilities/borrowings

Under Repurchase agreements the Bank has placed certain Bonds, ABSs & FCCBs issued by financial institutions & corporates as collateral against liabilities/ borrowings (refer Note 29).

22 Fixed assets

	Leasehold Improvements USD 000s	Tangible Fixed Assets USD 000s	Intangible Fixed Assets USD 000s	Total USD 000s
Cost:				
At April 1, 2017	9,282	4,650	3,819	17,751
Additions	6	90	5	101
Disposal	(327)	-	-	(327)
At March 31, 2018	**8,961**	**4,740**	**3,824**	**17,525**
Accumulated depreciation:				
At April 1, 2017	6,390	4,416	3,476	14,282
Charge for the year	554	84	144	782
Disposal	(315)	-	-	(315)
At March 31, 2018	**6,629**	**4,500**	**3,620**	**14,749**
Net book value:				
At March 31, 2018	**2,332**	**240**	**204**	**2,776**
At April 1, 2017	2,892	234	343	3,469

** INR figures are unaudited*

	Leasehold Improvements INR million*	Tangible Fixed Assets INR million*	Intangible Fixed Assets INR million*	Total INR million*
Cost:				
At April 1, 2017	606	303	249	1,158
Additions	-	9	-	9
Disposal	(21)	(3)	0	(24)
At March 31, 2018	**585**	**309**	**249**	**1,143**
Accumulated depreciation:				
At April 1, 2017	416	288	227	931
Charge for the year	37	5	9	51
Disposal	(20)	-	-	(20)
At March 31, 2018	**433**	**293**	**236**	**962**
Net book value:				
At March 31, 2018	**152**	**16**	**13**	**181**
At April 1, 2017	190	15	22	227

23 Other assets

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Amounts in clearing	**72**	53	**5**	3
Deposits receivable	**6,812**	7,288	**444**	476
Deferred tax asset[1]	**8,268**	1,847	**539**	120
Settlement balances[2]	**0**	13,965	**0**	910
Other receivables[3]	**13,728**	4,173	**895**	272
Others[4]	**1,500**	2,000	**97**	130
Total	**30,380**	29,326	**1,980**	1,911

[1]Refer note 11
[2] Comprising of securities pending settlement
[3]Includes USD 8.0 million towards cash collateral towards TLTRO borrowings.
[4]Assets acquired in settlement of loan claims, held as inventory at lower of cost or net realizable value.

24 Deposits by banks

With agreed maturity dates or periods of notice, by remaining maturity:

Banks	**March 31, 2018 USD 000s**	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
5 years or less but over 1 year	**294,579**	191,571	**19,199**	12,485
1 year or less but over 3 months	**349,860**	339,862	**22,802**	22,150
3 months or less but not repayable on demand	**271,999**	70,992	**17,728**	4,627
	916,438	602,425	**59,729**	39,262

** INR figures are unaudited*

25 Customer accounts

With agreed maturity dates or periods of notice, by remaining maturity:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
More than 5 years	3,081	2,671	201	174
5 years or less but over 1 year	225,303	170,225	14,684	11,094
1 year or less but over 3 months	319,013	435,468	20,792	28,383
3 months or less but not repayable on demand	74,917	184,740	4,883	12,040
	622,314	793,104	40,560	51,691
Repayable on demand	1,126,506	855,484	73,419	55,756
Total	1,748,820	1,648,588	113,979	107,447

26 Bonds and medium term notes

Bonds issued	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Residual Maturity				
5 year or less but over 1 year	160,000	170,000	10,428	11,080
1 year or less but over 3 months	130,000	174,364	8,473	11,364
3 months or less	70,000	-	4,562	-
	360,000	344,364	23,463	22,444
Less: Bond issue expenses	(219)	(167)	(14)	(11)
Total bonds and medium term notes	359,781	344,197	23,449	22,433

Details of various bonds and notes under the medium term notes programmes issued by the Bank at March 31, 2018 are as follows:
Nature of Issue: Senior unsecured bonds

Date of Issue	Interest frequency	Interest Rate	Maturity	USD 000s	INR million*
27-Apr-15	Quarterly	2.99%	Bullet repayment in May 18	10,000	652
08-Jun-15	Quarterly	3.27%	Bullet repayment in Jun 18	10,000	652
28-Sep-15	Quarterly	3.47%	Bullet repayment in Sep 18	5,000	326
28-Sep-15	Quarterly	3.47%	Bullet repayment in Sep 18	5,000	326
18-Nov-15	Quarterly	2.93%	Bullet repayment in Nov 18	5,000	326
16-Sep-16	Quarterly	3.03%	Bullet repayment in Sep 18	20,000	1,304
13-Feb-17	Quarterly	2.83%	Bullet repayment in Feb 19	40,000	2,608
15-Mar-17	Quarterly	3.30%	Bullet repayment in Mar 20	50,000	3,259
23-Mar-17	Quarterly	3.20%	Bullet repayment in Mar 19	25,000	1,629
22-Jun-17	Quarterly	2.94%	Bullet repayment in Jun 18	50,000	3,259
18-Jul-17	Quarterly	2.49%	Bullet repayment in Jul 19	10,000	652
25-Jul-17	Quarterly	2.51%	Bullet repayment in Jul 19	50,000	3,258
21-Aug-17	Quarterly	2.69%	Bullet repayment in Feb 19	30,000	1,954
29-Aug-17	Quarterly	2.92%	Bullet repayment in Sep 19	50,000	3,258
			Total	360,000	23,463
Less: Bond issue expenses				(219)	(14)
Total bonds and medium term notes				**359,781**	**23,449**

* *INR figures are unaudited*

27 Subordinated debt liabilities

Sub-ordinated debt#	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Residual Maturity				
Over 5 years	-	-	-	-
5 year or less but over 1 year#	150,000	150,000	9,776	9,776
1 year or less but over 3 months#	-	-	-	-
3 months or less#	-	26,349	-	1,717
	150,000	176,349	9,776	11,493
Less: Bond issue expenses	(120)	(165)	(8)	(11)
Less: Adjustments to carrying amount for change in the value of hedge which is ineffective		(35)		(1)
	149,880	176,149	9,768	11,481

#Listed with Singapore stock exchange.

Details of the Subordinated debt liabilities issued by the Bank at March 31, 2018 are as follows:

Date of Issue	Nature of Issue	Interest Rate	Interest frequency	Maturity	USD 000s	INR million*
23-Nov-10	Senior unsecured medium term notes	7.00%	Semi-annual	Bullet payment in November 2020	150,000	9,776
				Total	150,000	9,776
Less: Bond issue expenses					(120)	(8)
					149,880	9,768

For all the subordinated notes, the notes and coupons are direct, unsecured and subordinated obligations of the Bank, and rank pari passu without any preference among themselves.

28 Other liabilities

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
Amounts in clearing	1,613	4,833	105	315
Other creditors#	11,453	5,745	747	374
Total	13,066	10,578	852	689

#Includes repo margins received USD 3.9 million (2017: USD 0.4 million)

** INR figures are unaudited*

29 Repurchase agreements

	March 31, 2018 USD 000s		March 31, 2017 USD 000s	
	Carrying amount of liabilities	Carrying amount of collateral assets	Carrying amount of liabilities	Carrying amount of collateral assets
Repurchase agreements	**150,986**	**178,878**	129,784	165,042

	March 31, 2018 INR million*		March 31, 2017 INR million*	
	Carrying amount of liabilities	Carrying amount of collateral assets	Carrying amount of liabilities	Carrying amount of collateral assets
Repurchase agreements	**9,841**	**11,658**	8,459	10,757

The repurchase transactions enable the Bank to raise funds using its portfolio of government bonds or corporate/financial institution bonds and Asset Backed Securities (ABS) as collateral. These bonds and ABS are issued by corporates & financial institutions with carrying value of USD 179 million (INR* 11,658 million) (2017: USD 165 million; INR* 10,757 million). These have been pledged as collateral under repurchase agreements entered by the Bank. These form part of the AFS book & Loans and Receivable book (refer Note 21 and Note 40). As per the contract, the Bank agrees to repay the principal along with the interest at maturity and receive the collateral from the counter party.

With agreed maturity dates or periods of notice, by remaining maturity:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
5 years or less but over 1 year	**62,942**	90,018	**4,102**	5,867
1 year or less but over 3 months	**88,044**	-	**5,739**	-
3 months or less		39,766	-	2,592
Total	**150,986**	129,784	**9,841**	8,459

30 Called up share capital

At March 31, 2018 the Issued share capital of ICICI Bank UK PLC was:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
420 million ordinary shares of USD 1 each	**420,000**	420,000	**27,374**	27,374
50,002 ordinary shares of £1 each	**95**	95	**6**	6
Total Share Capital	**420,095**	420,095	**27,380**	27,380

** INR figures are unaudited*

There is no movement in number of shares during the year. All the shares are allotted and fully paid and the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. There are no restrictions on the distribution of dividends and the repayment of capital.

31 Employee benefits

During the year, the Bank made a contribution of USD 475,149 (INR* 30,697,836) (2017: USD 456,597; INR* 29,758,709) to the pension scheme. Out of this amount, USD 42,597 (INR* 2,776,277) was accrued at the year end (2017: USD 36,830; INR* 2,400,393).

32 Contingent liabilities and commitments (Off Balance Sheet)

As a part of banking activities, the Bank issued bank guarantees to support business requirements of customers. Guarantees represent irrevocable assurances that the Bank will pay in the event a customer fails to fulfil its financial or performance obligations. The credit risks associated with these guarantees are similar to those relating to other types of unfunded facilities. The Bank enters into guarantee arrangements after conducting appropriate due diligence on the customers. Upon default by a customer under the terms of the guarantee, the beneficiary may exercise its rights under the guarantees, and the Bank is obligated to honour payments to the beneficiaries.

The Bank extends financing to its customers by loan facilities, credit lines and other commitments to lend. Depending upon customer's requirement and subject to its ability to maintain specific credit standards, the unexpired undrawn commitment can be withdrawn by customers. The interest rate on a significant portion of these commitments is dependent on the lending rates prevailing on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the customer's ability to maintain specific credit standards.

(a) Guarantees and other commitments:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Guarantees	**339,759**	277,280	**22,144**	18,072
Other commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:				
Less than one year	**103**	2,781	**7**	181
More than one year	**-**	-	**-**	-
Total guarantees and commitments	**339,862**	280,061	**22,151**	18,253

(b) Significant concentrations of contingent liabilities and commitments

Approximately 60% (2017: 67%) of the total contingent liabilities and commitments relate to counterparties in India and the majority of the remaining balance relates to Europe.

(c) Foreign exchange contracts

In addition to the commitments disclosed above, there are outstanding foreign exchange contracts of USD 953 million (INR* 62,112 million) (2017: USD 890 million; INR* 58,006 million).

** INR figures are unaudited*

33 Litigation

In the ordinary course of business, the Bank pursues litigation in order to recover any overdue exposures. There are no material litigations against the Bank.

34 Operating lease commitments

As at March 31, 2018, the Bank has the following non cancellable operating lease commitments:

Land and Buildings	**March 31, 2018 USD 000s**	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Within 1 year	**2,044**	1,743	**133**	114
Between 1 and 5 years	**6,905**	5,857	**450**	382
More than 5 years	**2,100**	895	**136**	58
	11,049	8,495	**719**	554

The Bank had sub-let a portion of its premises in corporate office, the sub-lease agreement provides for fixed lease rentals for the entire period. The lease will expire between 1 and 5 years. Following is the future minimum lease payments receivable under non cancellable operating lease:

Land and Buildings	**March 31, 2018 USD 000s**	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Within 1 year	335	299	22	19
Between 1 and 5 years	995	949	65	62
More than 5 years	0	131	0	9
	1,330	1,379	87	90

35 Categories and classes of Financial Instruments

The carrying amounts of the financial assets and liabilities include:

	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	USD 000s	USD 000s	**INR million***	INR million*
Financial assets measured at fair value through profit or loss	**24,295**	25,750	**1,583**	1,678
Financial assets under Available for Sale category	**542,975**	420,127	**35,389**	27,381
Financial assets under Loans and receivable category	**3,041,181**	2,762,048	**198,209**	180,016
Financial assets under Held to maturity category	**261,920**	263,179	**17,071**	17,153
Total financial assets	**3,870,371**	**3,471,104**	**252,252**	226,228
Liabilities measured at fair value through profit or loss	**17,572**	15,719	**1,145**	1,025
Liabilities measured at amortised cost	**3,360,016**	2,930,817	**218,990**	191,016
Total financial liabilities	**3,377,588**	2,946,536	**220,135**	192,041

** INR figures are unaudited*

Assets:

As at March 31, 2018 — **USD 000s**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to maturity	Total
Cash and cash equivalents	-	-	500,246	-	500,246
Loans and advances to banks	-	-	137,553	-	137,553
Loans and advances to customers	-	-	2,365,651	-	2,365,651
Investment Securities	-	542,975	-	261,920	804,895
Derivative financial instruments	24,295	-	-	-	24,295
Other assets#		-	20,612	-	20,612
Accrued income	-	-	17,119	-	17,119
Total financial assets	**24,295**	**542,975**	**3,041,181**	**261,920**	**3,870,371**

As at March 31, 2018 — **INR million***

Cash and cash equivalents	-	-	32,604	-	32,604
Loans and advances to banks	-	-	8,965	-	8,965
Loans and advances to customers	-	-	154,181	-	154,181
Investment Securities	-	35,389	-	17,071	52,460
Derivative financial instruments	1,583	-	-	-	1,583
Other assets#	-	-	1,344	-	1,344
Accrued income	-	-	1,115	-	1,115
Total financial assets	**1,583**	**35,389**	**198,209**	**17,071**	**252,252**

As at March 31, 2017 — USD 000s

Cash and cash equivalents	-	-	333,702	-	333,702
Loans and advances to banks	-	-	55,226	-	55,226
Loans and advances to customers	-	-	2,332,132	-	2,332,132
Investment in Securities	-	420,127	-	263,179	683,306
Derivative financial instruments	25,750	-	-	-	25,750
Other assets#		-	25,479	-	25,479
Accrued income	-	-	15,509	-	15,509
Total financial assets	25,750	420,127	2,762,048	263,179	3,471,104

As at March 31, 2017 — INR million*

Cash and cash equivalents	-	-	21,749	-	21,749
Loans and advances to banks	-	-	3,599	-	3,599
Loans and advances to customers	-	-	151,997	-	151,997
Investment in Securities	-	27,381	-	17,153	44,534
Derivative financial instruments	1,678				1,678
Other assets#	-	-	1,661	-	1,661
Accrued income	-	-	1,010	-	1,010
Total financial assets	1,678	27,381	180,016	17,153	226,228

excludes deferred tax assets, prepaid expenses, fixed assets and assets acquired in settlement of loan claims, held as inventory at lower of cost or net realizable value

** INR figures are unaudited*

Liabilities:

As at March 31, 2018 — **USD 000s**

	Fair value though P&L	Non trading liability	Total
Deposits by banks	-	916,438	916,438
Customer accounts	-	1,748,820	1,748,820
Bonds and Medium term notes	-	359,781	359,781
Subordinated debts	-	149,880	149,880
Derivative financial instruments	17,572	-	17,572
Other liabilities	-	13,066	13,066
Accruals and deferred income	-	21,045	21,045
Repurchase agreements	-	150,986	150,986
Total financial liabilities	17,572	3,360,016	3,377,588

As at March 31, 2018 — **INR million***

Deposits by banks	-	59,729	59,729
Customer accounts	-	113,979	113,979
Bonds and Medium term notes	-	23,449	23,449
Subordinated debts	-	9,768	9,768
Derivative financial instruments	1,145	-	1,145
Other liabilities	-	852	852
Accruals and deferred income	-	1,372	1,372
Repurchase agreements	-	9,841	9,841
Total financial liabilities	1,145	218,990	220,135

As at March 31, 2017 — USD 000s

Deposits by banks	-	602,425	602,425
Customer accounts	-	1,648,588	1,648,588
Bonds and Medium term notes	-	344,197	344,197
Subordinated debts	-	176,149	176,149
Derivative financial instruments	15,719	-	15,719
Other liabilities	-	10,578	10,578
Accruals and deferred income	-	19,096	19,096
Repurchase agreements	-	129,784	129,784
Total financial liabilities	15,719	2,930,817	2,946,536

As at March 31, 2017 — INR million*

Deposits by banks	-	39,262	39,262
Customer accounts	-	107,447	107,447
Bonds and Medium term notes	-	22,433	22,433
Subordinated debts	-	11,481	11,481
Derivative financial instruments	1,025	-	1,025
Other liabilities	-	689	689
Accruals and deferred income	-	1,245	1,245
Repurchase agreements	-	8,459	8,459
Total financial liabilities	1,025	191,016	192,041

Refer to Note 3 for descriptions of categories of assets and liabilities .

** INR figures are unaudited*

36 Capital Management

The Bank's regulatory capital requirements are set and monitored by the PRA. The Bank implemented the CRD IV (Basel III) framework for calculating minimum capital requirements, with effect from January 1, 2014. The Bank's regulatory capital is categorised into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings and regulatory adjustments to Tier 1 capital.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective provision and regulatory adjustments to Tier 2 capital.

Banking operations are categorized as either trading or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The Bank uses regulatory capital ratios in order to monitor its capital base and these capital ratios remain the international standards for measuring capital adequacy. The PRA's approach to such measurement under CRD IV is primarily based on monitoring the Capital Resource Requirement to available capital resources. The PRA also sets Individual Capital Guidance (ICG) for the Bank that sets capital requirements in excess of the minimum Capital Resource Requirement. A key input to the ICG setting process is the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Under the current PRA guidelines, the total capital adequacy requirement for the Bank equals the aggregate of the Pillar 1 capital requirement, the Pillar 2A capital requirement (derived from the existing Internal Capital Guidance), and applicable macro-prudential buffers such as the Countercyclical Capital Buffer (CCyB), the Capital Conservation Buffer (CCoB) and the 'PRA buffer'.

During June 2017, the Financial Policy Committee (FPC) raised UK countercyclical buffer rate from 0% to 0.5%, to apply from June 2018 and during November 2017, FPC further increased it to 1% with binding effect from November 2018.

The Bank's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank has complied with all regulatory capital requirements throughout the year.

The Bank's regulatory capital resources to be reported under CRD IV are as follows:

	March 31, 2018 USD million	March 31, 2017 USD million	**March 31, 2018 INR million***	March 31, 2017 INR million*
Total Capital	**578.6**	616.1	37,710	40,154
- Tier I	**488.8**	521.3	31,864	33,977
- Tier II	**89.8**	94.8	5,853	6,179

** INR figures are unaudited*

37 Country by country reporting

The Capital Requirements Directive 4 ("CRD IV") requirements stipulate reporting on a consolidated basis, by country where the reporting institution has an establishment, the name, nature of activities, geographical location, number of employees, turnover, pre-tax profit/loss, corporation taxes paid and any public subsidies received.

The Bank has two branches in the EU which are outside UK, in Antwerp (Belgium) and Eschborn (Germany). The details of the business activities are provided in the Business Review section of the Strategic Report. Details as on March 31, 2018 are provided below:

	UK		Belgium		Germany	
Number of employees	160		3		15	
	USD million	INR million*	USD million	INR million*	USD million	INR million*
Turnover[1,2]	66.8	4,355	5.9	384	10.5	685
Pre-tax profit	(10.8)	(702)	(24.4)	(1,592)	4.8	313
Corporation tax paid	0.3	16	-	-	2.9	188

[1]Income before operating expenses and provisions
[2]Includes P&L on sale of financial assets

There were no public subsidies received during the year. It may be noted that the Corporation tax paid are the cash taxes paid. Refer Note 11 for information on the current year taxation (which includes taxes accrued not yet paid).

38 Risk Management Framework

ICICI Bank UK PLC has adopted the governance framework in line with the corporate governance practices adopted by other UK financial institutions. The Board is assisted by its sub-committees, the Audit Committee, the Board Governance Committee (BGC), the Board Risk Committee (BRC), the Board Credit Committee (BCC), and the Board Conduct Risk Committee (BCRC), and follows ICICI Group's overall risk management framework. The Board has delegated responsibility for the day-to-day management of the Bank to the Managing Director and Chief Executive Officer. In this role, the Managing Director and Chief Executive Officer is supported by the Management Committee, which he chairs. The Management Committee is supported by various other committees, which include the Executive Credit and Risk Committee (ECRC), the Asset Liability Management Committee (ALCO), the Compliance Conduct and Operational Risk Committee (CORMAC), the Product and Process Approval Committee (PAC) and the Information Security Committee (ISC)

As a financial institution, the Bank is exposed to various types of risks. The objective of the risk management framework of the Bank is to ensure that the key risks facing the Bank are identified, understood, measured and monitored; and that the policies and procedures established to address these risks are strictly adhered to.

The key principles underlying the risk management framework of the Bank are as follows:

1. The Board of Directors has oversight over the risks assumed by the Bank. Specific Board committees have been constituted to facilitate focused oversight of various risks.
2. Policies approved from time to time by the Board of Directors or Committees of the Board form the governing framework for each type of risk. The business activities are undertaken within this policy framework.

** INR figures are unaudited*

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

As part of implementation of an Enterprise Risk Management framework, the Bank has developed a risk appetite framework based on its strategy, an examination of best practices and the risk appetite statement of the Parent. The risk appetite statement has been further drilled down into portfolio-level limits.

The Bank has a risk register which documents the material risks faced by the Bank and categorises them as High, Medium or Low risk based on likelihood and severity of impact. The key material risks to which the Bank is exposed include credit risk (including concentration risk and political risk), market risk (including interest rate and credit spread risks), liquidity risk and operational risk (including compliance and legal risk and conduct risks).

The approach adopted by management to manage the key risks facing the Bank is outlined below.

Credit Risk

Credit risk is the risk that losses may arise as a result of the Bank's borrowers or market counterparties failing to meet obligations under a contract. All credit risk related aspects are governed by the Credit Risk Management Policy (CRMP), which is approved and reviewed annually by the Board Credit Committee. The CRMP describes the principles which underpin and drive the Bank's approach to credit risk management together with the systems and processes through which they are implemented and administered.

The Bank ensures that there is independent challenge of credit proposals by adopting a two stage process whereby a commercial officer assesses and proposes a transaction or limit and this proposal is then reviewed independently and assessed by a credit officer within the risk team. The CRMP lays down a structured credit approval process, which includes the procedure for independent credit risk assessment and the assignment of an internal risk rating (IRR) to the borrower. The risk rating is a critical input in the credit approval process and is used as an input in arriving at the risk premium for the proposal.

The Bank uses credit rating software through which it assesses a variety of risks relating to the borrower and the relevant industry while assigning an internal rating. Borrower risk is evaluated by considering, inter alia:

- The financial position of the borrower, by analysing 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;
- The borrower's relative market position and operating efficiency; and
- The quality of management by analysing its track record, payment record and financial conservatism.

Industry risk is evaluated by considering, inter alia:

- Certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, cyclicality and government policies relating to the industry;
- The competitiveness of the industry; and
- Certain industry financials, including return on capital employed, operating margins, and earnings stability.

After conducting an analysis of a specific borrower's risk, the Bank assigns an internal risk rating to the borrower. The Bank has a rating scale ranging from 'AAA' to 'D' (AAA signifying the highest level of credit worthiness and D signifying default). AAA to BBB- are considered as 'Investment Grade' while BB and below are considered as 'Non-Investment Grade'.

Credit approval

The delegation structure for approval of credit limits is approved by the Board Credit Committee. Credit proposals are approved by the Executive Credit and Risk Committee (ECRC) or the Board Credit Committee (BCC) based on, inter alia, the amount and internal risk rating of the facility. All credit proposals put up to the BCC are passed through the ECRC.

The Credit Risk team is also responsible for the following with respect to managing the Bank's credit risk:

- Developing credit policies in consultation with the Corporate Banking Group and Retail Banking Group which cover collateral management, the credit rating framework, provisioning, etc.
- Establishing the delegation of sanctioning powers available to individuals, singly or jointly, and the credit committees which are documented in the Credit Approval Authorisation Manual.
- Limiting and monitoring concentrations of exposure to counterparties, geographies, industrial sectors, internal rating categories, etc.
- Performing periodic credit stress tests on the Bank's portfolio and communicating the results to the BCC.

The credit middle office function is responsible for credit administration which includes monitoring compliance with the terms and conditions prior to disbursement. It also reviews the completeness of documentation and creation of security.

Concentration risk

Concentration risk arises from significant exposures to groups of counterparties where likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location, instrument type. The key parameters of risk concentrations measured in the Bank include sectoral, country, rating category based, product specific exposures, counterparty and large exposures. To manage these risks, limits have been stipulated in the risk appetite framework. These are monitored and reported to BRC at quarterly intervals.

Credit Monitoring

Credit quality is monitored on an ongoing basis but can also be triggered by any material credit event coming to the Bank's notice through either primary or secondary sources. The Bank has established a credit forum, which is comprised of Heads of Businesses and the Head of Risk. The credit forum focuses on management & monitoring of impaired and watchlist assets/investments and also monitors developments in the Bank's portfolio through the Early Warning Indicators (EWI) framework to identify potential vulnerabilities. It is the Bank's policy to review borrower accounts at least on an annual basis or at shorter interval(s) if recommended by the credit officer or the relevant sanctioning committee. A risk based asset review framework has been put in place wherein the frequency of asset review would be higher for cases with higher exposure and/or lower credit rating. The Bank has established a list of assets under watch as an additional tool for monitoring exposures which show or are expected to show signs of weakness. The assets under watch are reviewed on a quarterly basis by the BCC, in addition to review and monitoring by the credit forum. The Bank documents the 'lessons learned' from its experiences of exposures against which specific provisions have been booked. These are presented to the BCC and circulated to the commercial officers.

Credit risk is also managed at the portfolio level by monitoring and reporting risk dashboards to the BCC at specified intervals. The credit risk dashboard is constructed using key risk indicators for underlying portfolio rating, counterparty concentration, geographical concentration, stressed assets, breaches in risk appetite, sectoral concentration, recovery risk and documentation risk.

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

An analysis of the Bank's investment portfolio based on credit ratings provided by external rating agencies is as follows:

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
AAA	**81,675**	66,909	**5,324**	4,361
AA+	**12,834**	-	**836**	-
AA	**124,915**	11,223	**8,142**	731
AA-	**4,953**	2,201	**323**	143
A+	**7,223**	11,783	**471**	768
A and A-	-	-	-	-
BBB-	**517,593**	483,774	**33,734**	31,530
BB+ and below	**48,580**	101,857	**3,166**	6,639
Unrated	**7,122**	5,559	**464**	362
Total	804,895	683,306	52,460	44,534

Credit quality of loan portfolio

The definition of internal risk rating for the loans and advances are given below:

AAA to AA-	:	Highest safety/High Safety
A+ to A-	:	Adequate safety
BBB+ to BBB-	:	Moderate safety
BB and below	:	Inadequate safety/High risk

The Bank's internal risk rating scale is a measure of relative credit worthiness and does not map exactly with that of external rating agencies.

The exposure detailed below for loans and advances to Banks and Customers are gross of collective and specific impairment.

Loans and advances to banks

Internal risk rating of loans and advances to banks

Rating	**March 31, 2018 USD 000s**	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
AAA to AA-	**79,450**	25,292	**5,178**	1,648
A+ to A-	**56,973**	29,974	**3,713**	1,954
BBB+ to BBB-	**1,146**	-	**75**	-
BB and below	-	-	-	-
Total	137,569	55,266	8,966	3,602

** INR figures are unaudited*

Loans and advances to customers

The details of the rating distribution have been provided in the following three categories:

(a) Internal risk rating of loans and advances to customers

Rating	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
AAA to AA-	65,263	202,772	4,254	13,216
A+ to A-#	1,169,585	882,411	76,227	57,510
BBB+ to BBB-##	843,179	920,946	54,955	60,024
BB and below	399,543	384,684	26,040	25,072
Total	2,477,570	2,390,813	161,476	155,822

Includes USD 317.7 million (INR* 20,706 million) of loans classified as "Strong" (2017: USD 232.3 million : INR* 15,140 million); the classification is based on the supervisory slotting criteria under the Basel framework.

Includes USD 42.4 million (INR* 2,763 million) of loans classified as "Good" (2017: USD 15.9 million: INR* 1,036 million); the classification is based on the supervisory slotting criteria under the Basel framework.

(b) Investments held as loans and receivables which are internally rated:

Rating	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
BB and below	5,020	5,020	327	327
Total	5,020	5,020	327	327

(c) Investments held as loans and receivables which are externally rated:

Rating	March 31, 2018 USD 000s	March 31, 2017 USD 000s	March 31, 2018 INR million*	March 31, 2017 INR million*
AAA to AA-	-	-	-	-
A+ to A-	6,382	5,425	415	353
BBB+ to BBB-	23,043	28,303	1,502	1,845
BB and below	-	-	-	-
Total	29,425	33,728	1,917	2,198

The Bank has adopted the standardised approach to Credit Risk Management under the Basel II framework.

** INR figures are unaudited*

Industry exposure

The following is an analysis of loans and advances to customers by industry:

	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	USD 000s	USD 000s	**INR million***	INR million*
Industrials	**340,171**	264,888	**22,171**	17,264
Consumer Discretionary	**459,782**	223,320	**29,965**	14,555
Consumer Staples	**240,305**	207,680	**15,662**	13,536
Energy	**85,005**	158,868	**5,540**	10,354
Financials	**75,812**	225,280	**4,941**	14,683
Gems and Jewellery	**91,631**	152,147	**5,972**	9,916
Healthcare	**89,617**	81,922	**5,841**	5,339
Information Technology	**188,434**	136,243	**12,281**	8,880
Materials	**413,574**	518,696	**26,955**	33,806
Real Estate#	**481,221**	359,411	**31,364**	23,425
Telecom Services	**40,823**	56,450	**2,661**	3,679
Utilities	**5,020**	15,705	**327**	1,024
Others	**620**	451	**40**	29
Retail loans##	**-**	28,500	**-**	1,857
Total	2,512,015	2,429,561	163,720	158,347

#Includes ABS/MBS portfolio held as loans and receivables which have been classified here for both FY2017 and FY2018

Includes Retail loans backed by SBLC

Collateral Management

The Bank has a policy on collateral management and credit risk mitigation which provides guidance for identifying eligible collateral as per the relevant articles of the Capital Requirements Regulation (CRR).

Apart from obtaining eligible collateral for capital relief, the Bank endeavours to reduce or mitigate, to the extent possible, the credit risk on credit facilities by way of securing the facilities with appropriate collateral. The Bank determines the appropriate collateral for each facility based on the type of product, the counterparty and the appropriateness of the collateral typically offered in the jurisdiction of the borrower.

The security accepted by the Bank includes cash deposits, pledge/contractual comfort over equity shares (both listed and unlisted), charges over fixed assets (including plant and machinery and land and building) for term loans, charges over current assets for working capital finance, charges on specific receivables with escrow arrangements, mortgages on residential/commercial property, assignment of underlying project contracts for project finance loans. The Bank also accepts corporate guarantees and related support undertakings from borrower group entities for mitigating credit risk. The Bank has a collateral management policy which details the types of collaterals, frequency of valuation and valuation adjustments. The Bank also has a collateral valuation policy for cases assessed for specific provisions. The Bank applies Basel II guidelines on the collateral available with the Bank for its internally rated portfolio to determine the Loss Given Default (LGD) and haircuts applicable against each collateral for computing the collective provisioning requirements.

The Bank's risk appetite framework has prescribed a limit on the quantum of unsecured exposures.

The CRMP provides guidance on identifying and defining secured facilities and valuing the underlying security. The Bank monitors and reports the proportion of unsecured exposures in the loan portfolio to the ECRC on a monthly basis and to the BCC on a quarterly basis.

* *INR figures are unaudited*

As per the policy, the basis of valuation depends on the type of security. The CRMP details the general basis of valuation of various collateral and the expected frequency of valuation. Management may apply haircuts (in the range of 10%-20%) to the valuations if required (for example, when the valuation available is not recent and may not reliably reflect the recoverable value of the security).

The table below provides the value of collateral/collaterals held by the Bank:

Loans and advances to customers	**March 31, 2018**	March 31, 2017	**March 31, 2018**	March 31, 2017
	USD 000s	USD 000s	**INR million***	INR million*
Collateral value	**669,577**	695,646	**43,640**	45,339
Gross loans and advances	**2,512,015**	2,429,561	**163,720**	158,347
Less: Investments held as loans and receivables	**(34,445)**	(38,748)	**(2,244)**	(2,525)
Outstanding balance against which collateral held	**2,477,570**	2,390,813	**161,476**	155,822

Value of collateral held against loans and advances to banks as at March 31, 2018 is USD 35.0 million (2017:Nil).

The collateral valuations in the table above are based on the valuation available from the latest available audited financial statements of the organisation, valuation reports for tangible assets wherever applicable, and reports from security trustee/market value of listed shares for loans against the shares. The valuations exclude any charges which might be incurred for selling the collateral.

The maximum amount of on balance sheet credit risk, without taking account of any collateral or netting arrangements, as at March 31, 2018 is approximately USD 3.9 billion (INR* 253 billion) (2017: USD 3.5 billion; INR* 227 billion). The maximum amount of off balance sheet credit risk on guarantees and letters of credit is approximately USD 340 million (INR* 22,151 million) (2017: USD 280 million; INR* 18,253 million). Potential credit risk on financial instruments is detailed in Note 19.

The collateral value in the above table excludes the value of such collateral which the Bank may accept to manage its risks more effectively such as a second charge on assets, other liens and corporate guarantees and related support undertakings from borrower group entities. The Bank has applied appropriate haircuts when calculating the collateral value detailed above.

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. The Bank's key policies for managing market risk as approved by the Board Risk Committee (BRC) are:

- Treasury policy manual and mandate (TPMM) which also includes the trading book policy statement (TBPS)
- Valuation, model validation policy and independent price verification policy

These policies are designed to ensure that transactions in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices as well as regulatory guidelines and laws governing such transactions. The policies are reviewed periodically to take into account changed business requirements, the economic environment and revised policy guidelines.

The key market risks to which the Bank is exposed relate to:

** INR figures are unaudited*

- Interest rate risk – Interest rate risk is defined as the risk of loss which the Bank will incur as a result of an increase or decrease in interest rates. Interest income and expense from interest sensitive assets and liabilities are impacted by changes in interest rates. The overall value of the investment portfolio, the underlying value of the Bank's other assets, its liabilities, and off balance sheet (OBS) instruments are also impacted due to changes in interest rates because the present value of future cash flows changes when interest rates change.

  Interest rate risk on the balance sheet is measured by the use of re-pricing gap reports and estimating the sensitivity of the Bank's net interest income (defined as Earnings at Risk) to changes in interest rates. The sensitivity is calculated for various interest rate scenarios across different currencies that the Bank's balance sheet is exposed to including a standard scenario of a 200 basis points adverse change in the level of interest rates. The various limits set for interest rate risk are monitored and the utilisations reported to the ALCO and BRC on a periodic basis.

  The Bank uses Duration of Equity (DoE) as an all-encompassing measure, which takes into consideration the duration and value of both assets and liabilities. DoE is a measure of interest rate sensitivity, which indicates how much the market value of equity, would change if interest rates change by 1%. Currently a limit band of -2.0 to +2.0 has been prescribed for the overall net DoE of the Bank.

  Further, to manage the interest rate risk in the investment portfolio and ineffective derivatives, the bank uses various risk metrics such as value-at-risk (VaR), price value of basis point (PV01) and credit spread per basis point (CS01).

- Forex risk – This risk arises due to positions in non-dollar denominated currencies, which in turn arise from assets and liabilities in those currencies. Foreign exchange risk is managed within the Treasury function in accordance with approved position limits. The Net overnight open position (NOOP) of the Bank as at March 31, 2018 was USD 3.7 million (INR* 241 million) (2017: USD 1.4 million; INR* 91 million). Further, to manage the forex risk, the Bank uses value-at-risk measure.

- Equity Risk – Equity price risk arises due to the volatility of price movements on the Bank's investment in equity shares and convertibles. Threshold triggers are defined for decline in the values of equity investments and an escalation framework is in place. The value of the Bank's equity investments as at March 31, 2018 was USD 7.1 million (INR* 464 million) (2017: USD 5.6 million, INR* 362 million). The option value of convertibles was Nil at March 31, 2018 (2017: Nil).

The Bank has devised various risk metrics for different products and investments. These risk metrics are measured and reported to senior management by the Bank's independent Treasury Control & Services Group (TCSG). Some of the risk metrics adopted by the Bank for monitoring its risks are value-at-risk (VaR), duration of equity (DoE), price value of basis point (PV01) and stop loss amongst others. The risk appetite of the Bank includes limits for these risk metrics.

VaR* is calculated using a parametric approach at a 99% confidence level over a one day holding period. The total VaR for the Bank's AFS book portfolio, including investment portfolio, as at March 31, 2018 was USD 1.48 million (INR* 96 million) (2017: USD 2.97 million; INR* 194 million). The maximum, average and minimum VaR during the year for the AFS book portfolio, including investment portfolio, was USD 3.01 million (INR* 196 million) (2017: USD 3.47 million; INR* 226 million), USD 1.92 million (INR* 125 million) (2017: USD 2.55 million; INR* 166 million) and USD 1.40 million (INR* 91 million) (2017: USD 1.19 million; INR* 78 million) respectively.

** VAR calculation and INR figures are unaudited*

The impact of an increase in interest rates on investment securities held in the AFS category (bonds, asset backed securities, treasury bills & government securities), assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	March 31, 2018 USD 000	March 31, 2017 USD 000	March 31, 2018 INR million*	March 31, 2017 INR million*
Portfolio size (Market value)	535,853	414,569	34,924	27,019
Change in value due to 100 bps movement in interest rate	(12,167)	(10,235)	(793)	(667)
Change in value due to 200 bps movement in interest rate	(24,335)	(20,470)	(1,586)	(1,334)

The impact of a decrease in interest rates on investment securities held in the AFS category (bonds, asset backed securities, treasury bills & government securities), assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	March 31, 2018 USD 000	March 31, 2017 USD 000	March 31, 2018 INR million*	March 31, 2017 INR million*
Portfolio size (Market value)	535,853	414,569	34,924	27,019
Change in value due to 100 bps movement in interest rate	12,150	10,219	792	666
Change in value due to 200 bps movement in interest rate	24,227	20,417	1,579	1,331

Volatility in interest rates has an impact on an entity's interest earnings. The impact of an increase/decrease in interest rates on the Bank's net interest income as at March 31, 2018, assuming a parallel shift in the yield curve, has been set out in the following table:

Equivalent in USD million | Equivalent in INR million*

Currency	Impact on Net Interest Income over a one year horizon		Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps	Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps
USD	5.1	(4.1)	332	(267)
GBP	5.0	(7.8)	326	(508)
EUR	2.8	2.8	182	182
Other currencies	(0.2)	0.4	(13)	26
Total	**12.7**	**(8.7)**	**827**	**(567)**

** INR figures are unaudited*

The equivalent impact analysis as at March 31, 2017 is set out in the following table:

Equivalent in USD million | Equivalent in INR million*

Currency	Impact on Net Interest Income over a one year horizon		Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps	Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps
USD	6.9	(2.0)	450	(130)
GBP	6.6	(9.3)	430	(606)
EUR	0.6	2.2	39	143
Other currencies	(0.0)	0.0	-	-
Total	14.1	(9.1)	919	(593)

Liquidity risk

Liquidity risk arises due to insufficient available cash flows including the potential difficulty of resorting to the financial markets in order to meet payment obligations. The Bank's key policies for managing liquidity risk as approved by the Board are:

- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Liquidity contingency plan (LCP)

The Bank differentiates liquidity risk between funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Bank will not be able to efficiently meet cash flow requirements in a timely manner for its payment obligations including liability repayments, even under adverse conditions, and to fund all investment/lending opportunities, even under adverse conditions. Market liquidity refers to a Bank's ability to execute its transactions and to close out its positions at a fair market price. This may become difficult in certain market conditions either because of the underlying product itself or because of the Bank's own creditworthiness.

The Bank's liquidity risk management philosophy 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.

The Bank maintains a diversified funding base comprising retail, corporate customer deposits and institutional balances. These deposits are augmented by wholesale deposits, borrowings and through issuance of bonds and subordinated debt from time to time. The Bank has also access to funding facilities like longer term refinancing operation (LTRO) extended by ECB and TFS extended by Bank of England. Loan maturities and sale of investments also provide liquidity. Further, the Bank holds unencumbered HQLA to protect against stress conditions.

The Bank monitors and manages its overall liquidity risk appetite by ensuring that it maintains liquidity coverage ratio above regulatory requirements, by having adequate liquid assets for projected stressed outflows under various scenarios and also ensures that its liquidity gap position is within the approved limit for the various time buckets. This framework is further augmented by defining risk limits for certain liquidity risk drivers. ALCO and BRC review these parameters on monthly and quarterly basis respectively.

The Bank mitigates the risk of a liquidity mismatch in excess of its risk appetite by managing the liquidity profile of the balance sheet through both short-term liquidity management and a long-term funding strategy. Short-term liquidity management is considered from two perspectives; firstly, business as usual and secondly, stressed conditions, both of which relate to funding in the less than one year time horizon. Longer term funding is used to manage the Bank's strategic liquidity profile which is determined by the Bank's balance sheet structure.

** INR figures are unaudited*

The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity (SSL), dynamic cash flow reports, liquidity ratios and stress testing through scenario analysis. The SSL is used as a standard tool for measuring and managing net funding requirements and for assessing the surplus or shortfall of funds in various maturity buckets in the future. The Bank also prepares dynamic cash flow reports, which in addition to scheduled cash flows, also consider the liquidity requirements pertaining to incremental business and the funding thereof.

As part of the stock and flow approach of monitoring liquidity, the Bank monitors certain liquidity ratios covering various liquidity risk drivers inter-alia short-term liquidity risk, structural mismatch risk, wholesale funding risk, off balance sheet risk and non-marketable assets risk as detailed in the Bank's ILAAP. The Bank places particular emphasis on the withdrawable funding ratio and the customer advances to total assets ratio. The withdrawable funding ratio indicates the proportion of deposits that can be withdrawn by customers without providing notice to total funding resources. The ratio as at March 31, 2018 was 0.31 (0.26 as at March 31, 2017). The customer advances to total assets ratio provides a measure of the structural liquidity of the Bank's asset portfolio. The ratio as at March 31, 2018 was 0.62 (0.69 as at March 31, 2017).

The Bank has implemented the CRD IV liquidity guidelines as specified by PRA. As per the guidelines, the Bank has prepared an ILAAP document outlining the liquidity risk appetite of the Bank. The ILAAP document sets out the framework used to ensure that the Bank maintains sufficient liquidity at all times, including periods of stress. This has been done through the robust liquidity stress testing under various identified scenarios. Under each scenario, the Bank assesses the behavior of each liquidity risk drivers and estimates the amount of liquidity required to mitigate net stress outflows. The stress testing is carried out daily. The results of the stress test are reported to the ALCO and BRC & Board on a monthly and quarterly basis respectively. Further, from October 1, 2015 the Bank maintains LCR as stipulated by the PRA. The Bank also tracks its Net Stable Funding ratio (NSFR), though it is yet to be introduced as a regulatory requirement.

The Bank also has a LCP which details the overall approach and actions the Bank would undertake in order to manage the Bank's liquidity position during stressed conditions. The LCP addresses both the funding and operational requirements of the Bank and sets-out a funding, operational and communication plan to enable the Bank to deal with a liquidity crisis. In summary, the Bank seeks to follow a conservative approach in its management of liquidity and has in place, a robust governance structure, policy framework and review mechanism to ensure availability of adequate liquidity even under stressed market conditions.

Refer Note 39 for details on the cash flow payable under contractual maturity.

39 Cash flow payable under contractual maturity

At March 31, 2018, the contractual maturity comprised

USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	275,199	177,386	177,375	301,973	-	931,933
Customer accounts#	1,202,509	147,262	176,362	229,324	3,181	1,758,638
Other liabilities	12,906	-	-	-	159	13,065
Derivative financial liabilities	6,647	215	83	5,911	245	13,101
Accruals and deferred income*	15,274	-	-	-	-	15,274
Bonds and medium term notes	72,595	32,120	103,555	162,778	-	371,048
Subordinated debt	2,613	2,613	5,255	167,315	-	177,796
Repurchase Agreements	-	35,064	52,980	62,942	-	150,986
Total Liabilities	1,587,743	394,660	515,610	930,243	3,585	3,431,841

INR million*

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	17,936	11,561	11,561	19,681	-	60,739
Customer accounts#	78,374	9,598	11,494	14,946	207	114,619
Other liabilities	841	-	-	-	10	851
Derivative financial liabilities	433	14	5	385	17	854
Accruals and deferred income*	995	-	-	-	-	995
Bonds and medium term notes	4,731	2,093	6,749	10,610	-	24,183
Subordinated debt	170	170	342	10,905	-	11,587
Repurchase Agreements	-	2,285	3,453	4,103	-	9,841
Total Liabilities	103,480	25,721	33,604	60,630	234	223,669

Interest accrued on customer deposits is reclassified into customer accounts.

** INR figures are unaudited*

At March 31, 2017, the contractual maturity comprised

USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	72,823	76,571	267,362	193,477	-	610,233
Customer accounts#	1,060,105	177,233	256,958	164,818	2,818	1,661,932
Other liabilities	20,839	-	-	-	-	20,839
Derivative financial liabilities	1,203	1,240	1,199	787	1,000	5,429
Accruals and deferred income#	13,210	-	-	-	-	13,210
Bonds and medium term notes	1,754	55,858	122,900	173,898	-	354,410
Subordinated debt	29,299	2,614	5,257	177,811	-	214,981
Repurchase Agreements	39,766	-	-	90,018	-	129,784
Total Liabilities	1,238,999	313,516	653,676	800,809	3,818	3,010,818

INR million*

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	4,747	4,991	17,425	12,610	-	39,773
Customer accounts#	69,091	11,551	16,747	10,742	185	108,316
Other liabilities	1,359	-	-	-	-	1,359
Derivative financial liabilities	78	81	78	51	65	353
Accruals and deferred income#	861	-	-	-	-	861
Bonds and medium term notes	114	3,641	8,010	11,334	-	23,099
Subordinated debt	1,910	170	343	11,589	-	14,012
Repurchase Agreements	2,592	-	-	5,867	-	8,459
Total Liabilities	80,752	20,434	42,603	52,193	250	196,232

Interest accrued on customer deposits is reclassified into customer accounts.

The balances as noted above incorporate all cash flows on an undiscounted basis which relates to the principal and future coupon payments (except for trading liabilities and trading derivatives).

The Bank does not have any convertible debt securities as on March 31, 2018 (Nil for March 2017)

** INR figures are unaudited*

40 Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Bank's trading and non trading financial assets and financial liabilities as at the year end.

USD 000s

	March 31, 2018	March 31, 2018	March 31, 2017	March 31, 2017
	Fair value	Book value	Fair value	Book value
Non trading book financial assets and liabilities				
Assets:				
Cash and cash equivalents	500,246	500,246	281,910	281,910
Loans and advances to banks	137,553	137,553	55,226	55,226
Loans and advances to customers	2,379,471	2,365,651	2,333,604	2,332,132
Investment securities	805,365	804,895	689,214	683,306
Liabilities:				
Deposits by banks and customer accounts	2,667,500	2,665,258	2,252,594	2,251,013
Bonds and medium term notes	360,899	359,781	344,823	344,197
Subordinated debts	159,336	149,880	194,000	176,149
Repurchase agreements	150,986	150,986	129,784	129,784

Financial assets and liabilities at fair value through profit and loss				
Assets:				
Derivative financial instruments	24,295	24,295	25,750	25,750
Liabilities:				
Derivative financial instruments	17,572	17,572	15,719	15,719

INR million*

Non trading book financial assets and liabilities				
Assets:				
Cash and cash equivalents	32,604	32,604	18,373	18,373
Loans and advances to banks	8,965	8,965	3,599	3,599
Loans and advances to customers	155,082	154,181	152,093	151,997
Investment securities	52,490	52,459	44,920	44,534
Liabilities:				
Deposits by banks and customer accounts	173,854	173,708	146,813	146,709
Bonds and medium term notes	23,522	23,449	22,474	22,433
Subordinated debts	10,385	9,768	12,644	11,481
Repurchase agreements	9,841	9,841	8,459	8,459

Financial assets and liabilities at fair value through profit and loss				
Assets:				
Derivative financial instruments	1,583	1,583	1,678	1,678
Liabilities:				
Derivative financial instruments	1,145	1,145	1,025	1,025

** INR figures are unaudited*

Notes:
1. Fair value of loans and advances to banks and customers is determined using weighted average margins on market transactions done by the Bank during the year for loans with similar maturity and rating profile. The fair valuation is carried out post segmenting the disbursements done during the year by internal rating and tenor and comparing the pricing on the new disbursements with the existing portfolio. The difference is considered as the fair value adjustment.
2. The fair value of deposits by banks and customers has been estimated using current interest rates offered for deposits of similar maturities.
3. The fair value of debt securities is derived based on prevalent market quotes as at balance sheet date. In case market quotes are not available the Bank has used the internal valuation technique to calculate the fair value. Internal valuation discounts the estimated future cash flows, computed based on the prevailing interest rates and credit spreads in the market.
4. Financial instruments such as other assets and other liabilities are expected to have the similar fair value as the carrying value as these are short term in nature.

41 Derivative financial instruments

The Bank enters into various financial instruments as principal to manage balance sheet interest rate and foreign exchange rate risk. These mainly include interest rate swaps and exchange rate related contracts.

Exchange rate related contracts include spot, currency swaps and forward transactions. The Bank's currency swap transactions generally involve an exchange of currencies and an agreement to re-exchange the currency at a future date where the swaps relate to assets and liabilities denominated in different currencies.

The Bank uses derivatives to mitigate interest rate risk. Hedge accounting is applied to derivatives and hedged items when the criteria under IAS 39 for financial instruments as permitted by FRS 102, have been met. The swaps exchange fixed rate for floating rate on assets/liabilities to match the floating rates paid/received on funding or exchanges fixed rates on funding to match the floating rates received/paid on assets/liabilities. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss.

Change in fair value under hedge accounting:

As at March 31, 2018, the notional amounts of interest rate swaps and foreign exchange contract designated as fair value hedges were USD 433 million (INR* 28,228 million) (2017: USD 361 million; INR* 23,521 million) and these contracts had a net positive fair value of USD 8.47 million (INR* 552 million) (2017: net positive fair value of USD 1.12 million; INR* 73 million).The notional principal amounts of these instruments are not indicative of the amounts at risk which are smaller amounts payable under the terms of these instruments and upon the basis of the contract or notional principal amount. Derivatives contracts in the non-trading book are used for hedging purposes only and are accounted for on this basis and are executed with bank counterparties for whom volume and settlement limits have been approved. Counterparty group limits are approved for connected exposures.

The methodologies for the valuation of derivative products are defined in the Valuation Policy of the Bank, which has been approved by the Board Risk Committee (BRC) of the Bank. The Bank uses swap rates, cross currency basis spreads and spot rates as inputs for the valuation of currency swaps and foreign exchange forward transactions. Further, the Bank uses swap rates and interest rate basis spreads as inputs for the valuation of interest rate swaps. Inputs are drawn from Reuters on a real time basis. While the currency wise cash flows for currency swaps and forward transactions are discounted with the appropriate swap rate for the respective currency and the applicable cross currency basis spread, cash flows for interest rate swaps are discounted with the appropriate zero

** INR figures are unaudited*

rate for the currency. Further, the floating rate cash flows for currency swaps and forward transactions are calculated from the zero rates derived from the swap curve and the appropriate basis spread applicable for the currency. The floating rate cash flows for interest rate swaps are calculated from the zero rates derived from the swap curve and the appropriate interest rate basis applicable for the currency.

	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	USD 000s	USD 000s	**INR million***	INR million*
Change in fair value of hedged items recognised in profit and loss account	**(1,003)**	(22,155)	**(64)**	(1,443)
Investments	**(4,725)**	(3,536)	**(308)**	(230)
Borrowings, including repurchase	**3,722**	1,324	**244**	87
Loans and receivable		(33)		(2)
Deposits		(19,910)		(1,298)
Change in fair value of hedged instruments recognised in profit and loss account	**1,199**	21,964	**78**	1,432

The Bank has computed the Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 79 thousand (INR* 5 million) and USD 27 thousand (INR* 2 million) respectively. The CVA and DVA have been computed similar to Basel II collective provisioning using the MTM exposures; rating wise probability of defaults as published by S&P; and 45% loss given default as used in the Basel's foundation IRB approach.

Principal amounts of derivative financial instruments

As at March 31, 2018

USD 000s

Instrument	**Non-trading Notional Principal**	**Trading Notional Principal**	**Gross Positive Fair Value**	**Gross Negative Fair Value#**
Foreign exchange & Cross currency interest rate swaps	-	1,014,509	13,377	10,852
Interest rate	433,117	402,096	10,918	6,668
Total	**433,117**	**1,416,605**	**24,295**	**17,520**

As at March 31, 2018

INR million*

Instrument	**Non-trading Notional Principal**	**Trading Notional Principal**	**Gross Positive Fair Value**	**Gross Negative Fair Value#**
Foreign exchange & Cross currency interest rate swaps	-	66,121	872	707
Interest rate	28,228	26,207	712	435
Total	**28,228**	**92,328**	**1,584**	**1,142**

* *INR figures are unaudited*

Principal amounts of derivative financial instruments
As at March 31, 2017

USD 000s

Instrument	Non-trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value#
Foreign exchange & Cross currency interest rate swaps	62,455	967,561	12,862	4,650
Interest rate	298,433	593,611	12,888	11,039
Total	**360,888**	**1,561,172**	**25,750**	**15,689**

As at March 31, 2017

INR million*

Instrument	Non-trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value#
Foreign exchange & Cross currency interest rate swaps	4,071	63,061	838	303
Interest rate	19,450	38,689	840	719
Total	**23,521**	**101,750**	**1,678**	**1,022**

#excludes Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 52 thousand (INR* 3 million) (2017: USD 30 thousand (INR* 2 million).

As at March 31, 2018, the value of the equity options relating to the Foreign Currency Convertible Bonds was nil. As at March 31, 2017 these equity options had Nil value. These options were valued based on valuation techniques with observable market inputs and are classified as level 2. Refer to note 21 for details of fair value leveling methodology. There were no transfers of derivative financial instruments between level 1, level 2 and level 3 during the year.

Derivative financial instruments by valuation method

As at March 31, 2018 **USD 000s**

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	**Gross Negative Fair Value**	**Gross Positive Fair Value**	**Gross Negative Fair Value#**
Level 1	320	542	-	-
Level 2	13,057	10,310	10,918	6,668
Level 3	-	-	-	-
Total	13,377	10,852	10,918	6,668

As at March 31, 2018 **INR million***

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	**Gross Negative Fair Value**	**Gross Positive Fair Value**	**Gross Negative Fair Value#**
Level 1	21	35	0	0
Level 2	851	672	712	435
Level 3	-	-	-	-
Total	872	707	712	435

** INR figures are unaudited*

As at March 31, 2017 USD 000

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value#
Level 1	187	206	-	-
Level 2	12,675	4,444	12,888	11,039
Level 3	-	-	-	-
Total	12,862	4,650	12,888	11,039

As at March 31, 2017 INR million*

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value#
Level 1	12	13	-	-
Level 2	826	290	840	719
Level 3	-	-	-	-
Total	838	303	840	719

#excludes Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 52 thousand (INR* 3 million) (2017: USD 30 thousand (INR* 2 million).

42 Assets and liabilities denominated in foreign currency

	March 31, 2018 USD 000s	March 31, 2017 USD 000s	**March 31, 2018 INR million***	March 31, 2017 INR million*
Denominated in US Dollars	**1,850,631**	2,155,216	**120,616**	140,467
Denominated in Sterling	**1,163,053**	779,495	**75,802**	50,804
Denominated in other currencies	**870,656**	545,055	**56,745**	35,523
Total assets	**3,884,340**	3,479,766	**253,163**	226,794
Denominated in US Dollars	**2,005,739**	1,793,042	**130,725**	116,863
Denominated in Sterling	**1,500,233**	1,275,665	**97,778**	83,141
Denominated in other currencies	**378,368**	411,059	**24,660**	26,790
Total liabilities	**3,884,340**	3,479,766	**253,163**	226,794

The above should not be considered to demonstrate the Bank's exposure to foreign exchange risk due to the existence of compensating exchange rate contracts as discussed in Note 41 which are held for hedging purposes.

The Bank follows a conservative policy with regard to its Foreign exchange risk which is managed within the Treasury function in accordance with the position limits approved by the Board Risk Committee and by using value-at- risk measure. The Net overnight open position (NOOP) of the Bank as at March 31, 2018 was USD 3.7 million (INR* 241 million) (2017: USD 1.4 million; INR* 91 million).

** INR figures are unaudited*

43 Post balance sheet events

There have been no material events after the balance sheet date which would require disclosure or adjustments to the March 31, 2018 financial statements.

44 Ultimate parent company and parent undertaking of larger group of which the Bank is a member

The Bank is a wholly owned subsidiary of ICICI Bank Limited. The parent company is incorporated in India, having registered address at ICICI Bank Tower, Near Chakli Circle, Old Padra Road, Vadodara 390007, Gujarat, India. Copies of the group accounts for ICICI Bank Limited can be obtained from the Secretarial Department, ICICI Bank Limited, ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051, India.