

# ICICI BANK UK PLC

**Strategic report, Directors' report and  
financial statements**

**March 31, 2020**

**Registered number 4663024**



## Contents

Strategic report	3
Directors' report	18
Statement of Directors' responsibilities	21
Report of the independent auditor to the members of ICICI Bank UK Plc	22
Profit and loss account	30
Statement of other comprehensive income	31
Balance sheet	32
Statement of changes in equity	33
Notes	35

## Strategic report

The Directors present their strategic report for the year ended March 31, 2020 (FY2020) for ICICI Bank UK PLC ("the Bank").

## Nature of Business

ICICI Bank UK PLC offers retail, corporate 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 leading private sector bank. 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 and retail banking products and services through seven branches & six business centers located in the UK and one branch in mainland Europe, located in Eschborn (Germany) as well as through online banking. The business centers established in new locations during FY2019 primarily enhance its servicing capabilities for Small and Medium Enterprises (SMEs), business banking customers and Non Resident Indian population.

The Bank's overall strategy over the past few years has centered on a diversification theme. During FY2020, the Bank remained focused on diversification of the business profile, continuing proactive risk management, effective liquidity and capital management and meeting the requirements of the changing market and regulatory environment. The Bank deepened its product proposition and services to meet the banking needs of the Indian community in the UK through various digitisation and customer service initiatives. The Bank focused on maintaining a sustainable business model within strong corporate governance, risk management and a robust control environment.

The Bank's corporate business includes lending and banking services for select companies in the UK, EU and North American regions, Europe based multinational corporations which have active trade and investment flows with India, large businesses owned by persons of Indian origin and 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, 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 the internet, phone enabled channels and through intermediaries.

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, 2020 of USD/INR 75.665 which has been applied across both FY2019 and FY2020 .

## Strategic report

### Key strategic highlights: FY2020

The Bank's strategic objectives are increasingly focused towards creation of franchise value through building value propositions for its customers in chosen business segments. In line with its core competency and inherent strength, the Bank continued to focus towards meeting the banking needs of the Indian community in the UK by strengthening its product proposition and customer services. In the beginning of FY2020, the Bank redefined its strategy towards heightened focus on becoming a 'preferred Bank for the Non Resident Indian population in UK and Europe', connect with Non Resident Indians through various touch points including deposit raising, remittances & lending' and 'enhanced customer service through digitisation' underpinned by a well diversified asset and liability portfolio along with maintaining a strong compliance and governance culture.

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 reviews its Risk Appetite Framework regularly to take into account, inter alia, of 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 approach to managing capital and liquidity is designed to ensure that the Bank complies with and maintains High Quality Liquid Assets (HQLA) in line with the Bank's liquidity guidelines and that the Bank also maintains adequate capital as required under Capital Requirements Directive (CRD IV).

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.

During the year, the Bank remained very selective and cautious towards new business volumes due to a subdued market environment and uncertainty related to Brexit.

Total assets at USD 3,541 million (INR 267,906 million) reduced compared with the previous year at USD 3,840 million (INR 290,566) with a decrease in loans and advances of USD 2.07 billion by 14% partially offset by an increase in loans to Banks and cash balances of USD 0.46 billion by 10%.

The Bank made an annual Profit after Tax of USD 23.2 million (INR 1,758 million) in FY2020 compared with a Loss after Tax of USD 52.9 million (INR 4,000 million) in the previous year. Improvement in Profits were mainly driven by higher recoveries and lower impairment provisions made during the year as compared with the previous year. The Bank's risk appetite is reviewed and strengthened on a periodic basis based on the market and operating environment. (Detailed financial highlights are provided in the section "Key financial highlights")

The Bank's branch located in Eschborn, Germany (Germany branch), obtained a third country license from local regulators in FY2019. The license will be effective post Brexit. The Bank has implemented the required infrastructure, policies and frameworks to be able to continue to service its European customer base through the third country banking license for the German branch post Brexit in line with the banking license received from the German regulators. As part of the Bank's strategic decision, the Bank closed down its Belgium operations and received regulatory approvals in March 2019. During the year, the Bank wound down its operations in its Belgium branch.

## Strategic report

### Corporate Banking

The Corporate Banking division continued to focus on offering products which are core to the Bank's competencies and strategy, its clients' needs and in line with the Bank's risk appetite. The Bank extended loans primarily to clients in the India, UK, EU and North America regions. The Bank enhanced its credit portfolio through selective sell downs primarily in its syndicated loan portfolio during the year. Total loans and advances to corporate customers reduced by 19% at USD 1,708 million (INR 129,236 million) compared with USD 2,120 million (INR 160,410 million) in the previous year mainly due to selective new credits and sale of some lower rated assets in the portfolio. While the new business volumes showed a reasonable traction, sell downs and prepayments resulted in a reduction in the corporate portfolio. As a strategic component of the Bank's commitment towards its business in the UK market, the Bank expanded its presence in the corporate loan against property portfolio within the established risk framework. During the year, the corporate banking team worked upon enhancing and building relationships with Multinationals having presence in India through a dedicated team in UK/Germany. The Bank was able to establish key relationships with external institutions and industry bodies to help in building connections with these Multinationals. The Bank participated in the 'Access India' initiative for UK companies sponsored by the Indian High Commission under 'Make in India' project. Additionally, the Bank increased its focus on tapping business opportunities in trade finance between UK/Europe and the India

During the year, the Germany branch extended corporate loans within the risk framework funded primarily by local institutional deposits. During the year, the Germany branch increased its focus on trade finance business activities including Letters of Credit, document handling and Bank Guarantees which resulted in an increase in its trade finance income. The Bank availed the 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

The Retail banking caters to a broad customer segment of the Indian community through branches and business centers in the UK and to local customers through its on-line deposit franchise in the UK and Germany. The Bank offers a varied product suite, including current, savings, fixed term and notice accounts to personal banking customers as well as foreign exchange services and lending against property to the business banking community. During the year, the Bank continued on its journey of expanding the retail funding base by raising forty five and ninety five day notice account deposits through alternate funding channels.

The Retail Banking team focused on expansion of business banking secured loans against property within the risk appetite of the Bank. The overall new business volumes remained soft during the year due to Brexit related uncertainty. The Bank enhanced its team's strength by hiring additional resources with appropriate business skills and experience.

In line with providing value added services to its client base, the Bank worked towards rejuvenating its product and service proposition to meet the banking needs of Indian diaspora in the UK & Europe through various digitisation and customer service initiatives. The Bank made significant investments in head count in its retail banking division to connect with the Non Resident Indian population in the UK and Germany. The Bank enhanced its connections with the Indian community through various touch points including events, hoardings, radio and Television advertisements and enhanced its branch network by re-opening its branch in Harrow to create brand awareness. Additionally, the Bank enhanced its efforts to connect with the Indian student community in UK and Germany through varied product suite and digital account opening. The Bank also launched its Private Banking business on 'an execution basis' only, to connect with High Net worth Individuals. During the year, the Bank registered a positive momentum in business activities from the Non Resident Indian population.

## Strategic report

In continuation of its journey towards enhanced customer experience through digital channels, the Bank upgraded its Corporate Internet Banking platform for its business banking clients to enhance the customer experience for improving its business banking trade and foreign exchange product offering. Due to the ongoing efforts of enhancing customer experience, the Bank registered a reasonable growth of 9% in its business banking foreign exchange and trade revenues. The Bank remain focused on strengthening its remittance product through digital initiatives including New Customer Acquisition (NCA) through digital account opening and revamping of mobile application. The Bank implemented a remittance marketing strategy realigned to focus on 'Non-Resident Indian' clients. NCA through digital account opening is expected to increase the remittance flows.

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. The Bank sees embedding of a strong conduct culture as an integral part of delivery of its strategic goals.

## 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. The Bank prioritises maintaining 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 optimise the cost of funds, the Bank accessed diverse retail and wholesale funding sources. During the year, the Bank remained active in raising funding through various wholesale instruments including bilateral loans and bonds under its Medium Term Note (MTN) Programme at a competitive pricing driven by conducive wholesale markets. In addition, the Bank has funding access to various liquidity and funding facilities offered by the Bank of England and Bundesbank. In response to the COVID-19 crisis during Q4-FY20, the Bank ensured availability of adequate liquidity surplus over and above the regulatory requirements.

The Bank's investment portfolio 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 mainly invested in Indian banks and corporate bonds within the established risk appetite of the Bank. During the year, the Treasury team launched its new business line related to facilitating fund flows from UK & Europe to India through 'Foreign Portfolio Investment' and 'Foreign Direct Investment' routes. The Bank is enhancing relationships with Financial Institutional investors having investment interest in Indian markets and initiating coverage of Indian bonds through Debt Capital Market business.

## Strategic report

### 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 a requirement for banks to maintain an 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, 2020 was 183.3%. In line with the risk appetite, the Bank is focused to maintain an 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. The Bank tracks its NSFR, though it is yet to be introduced as a regulatory requirement in the United Kingdom. During FY2020, the Bank contributed to the Basel quantitative impact study through quarterly submissions.

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.

## Strategic report

### Financial Highlights

The financial performance for the financial year 2020 is summarised in the following table

Summarised Profit and loss account	Financial 2020	Financial 2019	% Change	Financial 2020	Financial 2019
	USD 000s	USD 000s		INR million	INR million
Net interest income	64,263	70,522	-9%	4,862	5,336
Non interest income	15,070	14,093	7%	1,139	1,067
Loss on sale of financial assets	(23)	(4,773)	-100%	(2)	(361)
<b>Total revenue</b>	<b>79,310</b>	<b>79,842</b>	<b>-1%</b>	<b>5,999</b>	<b>6,042</b>
Operating expenses	(38,396)	(34,110)	13%	(2,905)	(2,581)
<b>Profit before provisions, charges and taxes</b>	<b>40,914</b>	<b>45,732</b>	<b>-11%</b>	<b>3,094</b>	<b>3,461</b>
Impairment provision and charges	(12,334)	(105,393)	-88%	(933)	(7,975)
<b>Profit/(Loss) before tax</b>	<b>28,580</b>	<b>(59,661)</b>		<b>2,161</b>	<b>(4,514)</b>
<b>Tax</b>	<b>(5,331)</b>	<b>6,792</b>		<b>(403)</b>	<b>514</b>
<b>Profit/(Loss) after tax</b>	<b>23,249</b>	<b>(52,869)</b>		<b>1,758</b>	<b>(4,000)</b>

Summarised Balance Sheet	Financial 2020	Financial 2019	% Change	Financial 2020	Financial 2019
	USD 000s	USD 000s		INRmillion	INR million
Cash and cash equivalents	289,988	273,101	6%	21,942	20,664
Loans and advances to banks	168,105	144,881	16%	12,720	10,962
Loans and advances to customers	2,074,527	2,423,180	-14%	156,969	183,350
Investments	871,216	906,119	-4%	65,921	68,561
<b>Total assets</b>	<b>3,540,684</b>	<b>3,840,160</b>	<b>-8%</b>	<b>267,906</b>	<b>290,566</b>
Customer accounts	2,042,228	2,140,798	-5%	154,525	161,983
Wholesale liabilities	932,332	1,168,784	-20%	70,545	88,437
Shareholders' funds	453,332	454,331	0%	34,301	34,377
<b>Total liabilities</b>	<b>3,540,684</b>	<b>3,840,160</b>	<b>-8%</b>	<b>267,906</b>	<b>290,566</b>

### Capital<sup>3</sup>

Capital Ratios	March 31, 2020	March 31, 2019	Movement
Core Tier 1 ratio	15.0%	12.9%	2.1%
Tier 1 ratio	15.0%	12.9%	2.1%
Total ratio	18.6%	16.8%	1.8%

Risk weighted assets	March 31, 2020	March 31, 2019	% Change	March 31, 2020	March 31, 2019
	USD 000s	USD 000s		INR million	INR million
Risk weighted assets	2,941,412	3,424,336	-14%	222,562	259,102

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



## Key Financial highlights: FY2020

As at March 31, 2020, the Bank had total assets of USD 3,541 million (INR 267,908 million) compared with USD 3,840 million (INR 290,566 million) as at March 31, 2019. The balance sheet reduced mainly due to a reduction in loans and advances partially offset with increase in loans to banks and cash balances.

The loans and advances portfolio at USD 2,075 million (INR 156,969 million) decreased by 14% versus the previous year at USD 2,423 million (INR 183,350 million) primarily due to selective new credits coupled with sell downs in line with the strategy of the Bank. The Bank made significant progress in enhancing the quality of its portfolio through selective sell downs primarily in its lower rated syndicated loan portfolio. While the Bank registered a stable flow of new business volumes primarily from the UK, EU and Indian markets, prepayments and sales in the corporate loan portfolio resulted in an overall reduction of the loan portfolio. The Bank monitors adherence to the portfolio limits as prescribed in the risk appetite on a periodic basis. The efforts to enhance the risk profile of its loan portfolio led to an improvement in higher rated assets (A- and above) from 54% in FY2019 to 65% in FY2020.

With regards to liabilities, the Bank registered a decrease of 5% in customer accounts at USD 2,042 million (INR 154,525 million) in FY2020 versus USD 2,141 million (INR 161,983 million) as at FY2019. The wholesale liabilities at USD 932 million reduced versus the previous year by 20% mainly due to a reduction in interbank borrowings, bonds issued under its MTN programme and Banker's acceptance borrowings in line with the funding requirements of the Bank. During the year, the Bank ensured an appropriate balance of Retail and wholesale funding in its liability portfolio. The Mark to Market (MTM) loss on AFS (Available For Sale) portfolio showed an increase of USD 25.1 million (INR 1,905 million) at USD 35.8 million (INR 2,707 million) post tax MTM loss on AFS for FY2020 versus USD 10.6 million (INR 802 million) post tax MTM loss for FY2019 due to widening of the credit spreads in the fixed income markets. Due to Covid-19 pandemic outbreak, the global economy has been disrupted since the beginning of 2020 which has led to global equity markets experienced their worst ever single day loss during March 2020 coupled with a shortage of liquidity in the market. These factors resulted in widening of the credit spreads and consequent increase in the MTM loss on the AFS portfolio as at March 31, 2020.

The Bank made a Profit before Tax in FY2020 of USD 28.6 million (INR 2,161 million) compared with a Loss before Tax of USD 59.7 million (INR 4,514 million) in the previous year. The improvement in the profitability was driven by lower impairment provisions and higher recoveries in FY2020 versus the previous year. A Profit after Tax of USD 23.2 million (INR 1,758 million) was made against a Loss after Tax of USD 52.9 million (INR 4,000 million) in the previous year.

The Net Interest Income at USD 64.3 million (INR 4,862 million) reduced by 9% compared with the previous year at USD 70.5 million (INR 5,336 million). Net Interest Margin (NIM) at 1.70% in FY2020 reduced by 15 bps as compared to the previous year. The decrease is on account of a reduction in the loan portfolio especially in the lower rated facilities. In addition, the interest rate reduction across major economies resulted in a reduction in the overall asset yield.

The corporate banking fee, business banking and retail remittance income streams continued to be the key sources of non-interest income, which marginally increased during the year to USD 15.1 million (INR 1,139 million) as compared to USD 14.1 million (INR 1,067 million) during the previous year. This was mainly due to an increase in corporate banking fees, derivative income from the Global Markets Group, business banking trade and foreign exchange income and Treasury income partially offset by a reduction in remittance income. 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 EU witnessed a decline compared to the previous year due to increased competition in the money transfer business with more fintech players entering the UK and EU markets. The Bank continued to follow a cautious concentration risk management strategy through selectively selling down loans in its international corporate portfolio and investments which resulted in a marginal loss of USD 23K during the year as compared to a realised loss of USD 4.8 million (INR 361 million) in the previous year.

The Bank remained focused on enhancing operating efficiencies without compromising the control environment. The Bank strengthened the team size in the business and control groups to invest in expansion of selected business lines and continued its focus on expense rationalization and vendor negotiation initiatives, where appropriate. Total expenses at USD 38.4 million (INR 2,905 million) were 13% higher compared with the previous year mainly due to an increase in head count, refurbishment of UK branches and Marketing expenses. The Bank invested in creating a brand presence by opening its flagship branch in Harrow and refurbished other branches. Additionally, Marketing and advertisement expenses were incurred primarily due to participation in community events, Radio and television advertisements and marketing expenses to build brand presence. 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.

The specific and collective provisions made during the year were USD 28.4 million (INR 2,149 million) compared with USD 105.4 million (INR 7,975 million) in the previous year. During the year, two additional facilities were classified as impaired due to the deterioration in business performance of the borrowers.

As at March 31, 2020, the provision coverage on impaired loans and equity stood at 70%. The Gross impairment ratio was at 9.8% and the Net impairment ratio was at 3.8% for FY2020 versus 8.3% and 2.6% respectively for FY2019. The Bank made significant efforts on recoveries against impaired facilities which resulted in a total of USD 16.1 million being recovered against impaired assets.

The Bank recognised an overall tax charge of USD 5.3 million which included a tax charge of USD 0.95 million on the profits booked in UK books and USD 1.9 million on the profits booked in its Germany branch. A tax charge of USD 2.5 million has been booked in the P&L against utilization of Deferred tax asset during the year. (Refer note 11 on Taxation).

In line with the CRD IV requirements, as at March 31, 2020 the total capital was 18.6% with a Tier 1 ratio of 15.0%.

#### **4Key economic and business outlook**

The Bank primarily operates in the UK, Europe, India and North America markets and monitors the economic outlook especially in these markets to assess the impact on its portfolio and business model. Since the beginning of the Year 2020, the world is facing unprecedented crisis of Covid-19 pandemic which has severely impacted economic activity across the Globe. The Bank takes account of this Global crisis and its significant impact on the future strategy.

As per the World economic outlook published by IMF on April 14, 2020, the COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures having an impact on economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.

It is very likely that this year the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago. The Great Lockdown, as one might call it, is projected to shrink global growth dramatically. A partial recovery is projected for 2021, with above trend growth rates, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about

<sup>4</sup> World Economic Outlook April 2020 published by IMF

the strength of the rebound. Much worse growth outcomes are possible and maybe even likely. This would follow if the pandemic and containment measures last longer, emerging and developing economies are even more severely hit, tight financial conditions persist, or if widespread scarring effects emerge due to firm closures and extended unemployment. Because the economic fallout reflects particularly acute shocks in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses. The fiscal response in affected countries has been swift and sizable in many advanced economies (such as Australia, France, Germany, Italy, Japan, Spain, the United Kingdom, and the United States). Many emerging market and developing economies (such as China, Indonesia, and South Africa) have also begun providing or announcing significant fiscal support to heavily impacted sectors and workers.

Broad-based fiscal stimulus can preempt a steeper decline in confidence, lift aggregate demand, and avert an even deeper downturn. But it would most likely be more effective once the outbreak fades and people are able to move about freely. The significant actions of large central banks in recent weeks include monetary stimulus and liquidity facilities to reduce systemic stress. These actions have supported confidence and contribute to limiting the amplification of the shock, thus ensuring that the economy is better placed to recover.

Growth in the advanced economy group, where several economies are experiencing widespread outbreaks and deploying containment measures is projected at -6.1 percent in 2020. Most economies in the group are forecast to contract this year, including the United States -5.9 percent, Japan -5.2 percent, the United Kingdom -6.5 percent, Germany -7.0 percent, France -7.2 percent, Italy -9.1 percent, and Spain -8.0 percent. In parts of Europe, the outbreak has been as severe as in China's Hubei province. Although essential to contain the virus, lockdowns and restrictions on mobility are extracting a sizable toll on economic activity. Adverse confidence effects are likely to further weigh on economic prospects.

In consideration of the challenging global economic environment, the Bank took a cautious approach towards new lending and kept all its funding sources active through accessing the sources. Continued uncertainties around Brexit and a literal halt of Global economic activity due to the Covid-19 pandemic aggravated the challenging environment in FY2020. While the full impact of the Covid-19 pandemic on the Global economy is still uncertain, it could have a significant impact on the Bank's financial performance during the next financial year. The Bank will continue to monitor the global economic environment as well as the economic situation and developments especially in India, UK and Europe to add selective business within its risk appetite.

### Principal risks

The Bank is primarily exposed to credit risk, liquidity risk, market risk (predominantly interest and exchange rate risk), operational risk (including outsourcing risk), information security risk, compliance, conduct and reputational risk. The Bank's largest regulatory capital requirements arise from credit risk in its lending operations as this risk is influenced not only from a borrower's credit quality but also due to external factors like economic conditions of countries in which the Bank's borrowers are incorporated or where businesses are undertaken by the borrowers and regulatory changes. The Bank's funding is composed of medium to long term deposits, term borrowings and short term savings balances. 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 critical focus area for the Bank as cyber-attacks can disrupt the availability of customer facing websites and could compromise the Bank's customer data and information.

An ongoing risk which the Bank has been monitoring and mitigating is the risk from the uncertainties arising due to UK's action to leave the EU. Both parties have entered into an 11-month transition period, a review of which can be done till June 30, 2020. During the year, the Bank has also formed a working group to ascertain the Bank's approach to manage risks arising from phasing out of LIBOR and transition to alternate reference rates.

With the onset of Covid-19, which is having an adverse impact on economic activity across businesses around the globe, the Bank carried out an assessment to identify industries more likely to get impacted from prolonged shutdown of business due to Covid-19. Within the more impacted industries, granular assessment of each risk counterparty had been undertaken. The Bank has enhanced monitoring of this portfolio and would factor in the potential stress on business cashflows of such borrowers to assess the impact on its asset quality. The Bank will also evaluate the effect of measures taken by governments of various countries to support businesses and individuals based on disclosures made by corporates and other agencies.

Further details on the Bank's risks and how these are managed are given in Note 38.

The Bank has been making requisite investment in systems, people and controls in minimising the impact of the risks.

## **Risk Management and Corporate Governance**

### ***Risk Management***

The Bank has a centralised Risk Management Group (RMG) with a mandate to assess and monitor all its principal risks in accordance with defined policies and procedures. RMG 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 Chairperson of the Board Risk Committee (BRC) and the Risk Management Group of the Parent Bank.

### ***Risk management framework***

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 are used to identify the material risks that the Bank is exposed to. The Bank has developed a Board approved risk appetite framework articulated within the broader context of the nature, scope, scale and complexity of the Bank's activities. The framework is based on both 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. RMG monitors adherence to the risk appetite framework and provides relevant reports to the Board Risk Committee on a quarterly basis.

### ***Credit risk***

To ensure an acceptable level of credit risk and in line with the Bank's continued focus on maintaining asset quality, the Bank's Executive Credit and Risk Committee, on a periodic basis, tracks developments in its credit portfolio and industry trends with the objective of identifying vulnerabilities and early warning indicators. Additionally, review of the Bank's portfolio and emerging risks and challenges is carried out by the Board Credit Committee and Board Risk Committee respectively.

### ***Liquidity risk***

The Bank maintains a detailed Liquidity Contingency, Recovery and Resolution Plan (LC-RRP). The plan includes a range of recovery and liquidity indicators, which allows 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.

***Operational risk (including outsourcing risk)***

The management of operational risk within the Bank is governed by the Operational Risk Management Policy (ORMP) which is reviewed and approved by the BRC on an annual basis. Operational risk elements monitored regularly by RMG include operational risk incident management and reporting, techniques for risk identification, assessment and measurement, key risk indicators and risk mitigation techniques. The Bank has also implemented an Outsourcing Policy to mitigate risks from activities from services outsourced to third party service providers. The policy also ensures the application of a standardized approach for all outsourcing arrangements entered into by the Bank and stipulates the monitoring and reporting mechanisms to be adopted by various departments within the Bank. The performance of such service providers is periodically reviewed on parameters such as financial strength, organisational structure & change management, performance evaluation, compliance undertakings, and business continuity & information security and assessment report is presented to the BRC on a periodic basis.

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. Further, in line with the regulatory expectations, a working committee has been established under the supervision of Head-IT & Operations to consider and fully embed a comprehensive operational resilience framework to actively assess the vulnerabilities and recoverability of its critical services.

***Information security risk***

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 threat landscape and the measures taken by the Bank to mitigate cyber security risks and threats. These 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 baseline standards.

***Conduct & Compliance risks***

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 Compliance group is responsible for the monitoring and framing policies and procedures to mitigate conduct risk including frauds within the conduct risk appetite of the Bank.

Performance against 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 the business and Compliance.

The Bank has embedded a whistleblowing policy through regular training of staff. The policy provides for staff to raise concerns on a confidential basis both internally and to the regulators. An annual report on whistleblowing is



presented to the Board Audit Committee.

The Bank has a Data Protection Policy (DPP) to ensure that personal and sensitive information about its clients, employees, vendors and others with whom it communicates is dealt in accordance with the relevant national laws. This Policy conforms to the provisions of Data Protection Legislation which means (i) before 25 May 2019, 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 2019, the EU General Data Protection Regulation 2016/679 ("GDPR"); together with all other applicable and national implementing legislation relating to privacy or data protection.

## 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 Bank has a total number of five Non-Executive Directors and one Executive Director on the Board. Two of the Non-Executive Directors are representatives of the Bank's Parent Bank, 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 a strong focus on controls, governance, compliance and risk management to provide a sound foundation for the business. It ensures 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.

The Bank's Board is responsible for creating and delivering a sustainable stakeholder value by providing oversight to the Bank's business. The Board is also the decision-making body for all matters having significant strategic, financial or reputational implications or consequences. There are matters specifically reserved for final approval of the Board and certain powers of the Board are delegated to the Board Committees. The Board Committees discuss various matters having strategic, financial or reputational implications or consequences. In the event that the Chairperson of these committees determines that these matters have significant implications, they refer such matters to the Board for due consideration.

The Board has delegated certain powers to five Board Committees which are the Board Credit Committee, Board Risk Committee, Board Audit Committee, Board Conduct Risk Committee and Board Governance Committee. The Bank has an established governance framework with clear terms and reference and mandate for these Committees.

## Section 172 statement

As per section 172 of the UK Companies Act 2006, the Directors must act in good faith to promote the success of the company and the Board is required to have full regard to the likely consequences of any decisions in a longer term, interests of the company's employees, need to foster the company's business relationships with suppliers, customers and others, impact of the company's operations on the community and the environment, desirability of the company maintaining a reputation for high standards of business conduct and need to act fairly as between members of the company. In consideration of these factors, the Directors discharge their duties supported by the

annual training programme developed by the Bank to enhance their professional knowledge and understanding of the Bank's business model and strategy; Well managed, structured and comprehensive Board and Committee meetings and adequate information to enable the Board to take informed decisions for long term success of the Bank.

**Employee engagement:** Ongoing Employee engagement is embedded in the Bank's strategy and objectives. The management committee including the MD & CEO engages with the employees at all levels on a frequent basis through 'Town Hall' meetings, video conference and informal meetings to provide an update on the Bank's performance and strategy. The Directors receive quarterly updates on the employee engagement initiatives, key demographic details of the employees and feedback from Culture & Conduct surveys conducted by the Bank.

**Stakeholder engagement:** The Bank ensures regular engagement of the Board with key stakeholders including regulators, customers and suppliers. The Board receives regular updates via its various Committees on key regulatory themes, hot topics and priorities. The Senior Management of the Bank is regularly engaged with regulators to understand their views and expectations and to update them about the Bank's strategy and business model, including annual meetings of regulators with the independent non executive directors. The Board Conduct Risk Committee (BCRC) is focused and committed towards the Bank's conduct with its customers to ensure that they are treated fairly, they receive the right outcome and conduct risk is appropriately mitigated. The BCRC receives regular updates on the Bank's engagement with its customers including, but not limited to, new product and service launches, the management of conduct risk, various customer service initiatives, status of customer complaints and their root cause analysis. The Directors receives an annual update on the performance of outsourced service providers and payment practices & other initiatives for the suppliers.

## ***Brexit***

The United Kingdom (UK) voted in the referendum held on June 23, 2016 to leave the European Union. Based on the outcome of referendum, the UK government delivered the formal notice of its intention to leave the European Union under Article 50 of the Lisbon Treaty on March 29, 2017, thereby setting March 29, 2020 as an exit date. During the year, the British government and EU agreed on a revised withdrawal agreement which was approved by the parliament but rejected passing it into law before the 31st October deadline. Post the general elections won by the Conservatives, the government declared that the UK would leave the EU in early 2020 with 31st January 2020 as the exit date. The transition (sometimes called the implementation period) is due to last until 31 December 2020. During this period, the UK will remain in both the EU customs union and single market. There is still uncertainty on the future relationship between the UK and the EU, the exit date and the implementation period.

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. In preparation for Brexit, the Bank had assessed the impact on its operations and had concluded that given the significant proportion of its operations are based in the UK, the Bank is likely to have a limited impact. Post assessment, the Bank had initiated multiple steps to ensure that it is able to continue provide seamless services to its clients and minimise the impact on its own financial performance. The Bank continues to closely monitor developments related to Brexit through quarterly reporting on 'Emerging risks and challenges' to the BRC and is well prepared to take further actions as required.

The Bank obtained a third country license for its Germany branch effective post Brexit. The Bank has worked towards ensuring appropriate infrastructure is in place to run Germany as a third country branch post Brexit which has included preparation of the required organisation structure, policies, procedures and governance framework. The Bank acknowledges the ongoing uncertainty about the timing of the UK's withdrawal from the European Union (Brexit) and the nature of the UK-EU trading relationship in the short and medium-term. The possibility that a withdrawal agreement will not be reached before the exit date remains a downside risk and source of uncertainty in the near term. The Bank reviews and presents the impact of Brexit on its portfolio to the Board on a periodic basis.

## ***Covid-19***

Since February 2020, the wide spread effect of Covid-19 has resulted in many countries entering into 'lockdown' which is having a significant disruptive impact on economic activity across the Globe. The Banking sector is not immune to this crisis mainly on account of lingering uncertainty around how long this disruption will last. However, regulatory authorities have taken a number of steps to mitigate the effects of the crisis across Europe and India by way of tax payment deferrals, debt moratoria, credit guarantees, etc. Additionally, central banks in the UK and United States have cut the interest rates, thereby reducing the cost of short-term borrowing.

The Bank implemented its business continuity plans to ensure the safety and well-being of its staff members and to provide continuous support to its customers through various digital channels and branch presence. These steps are supported by strong focus on maintaining internal controls and risk management techniques to ensure that the Bank remains within its risk appetite.

The Bank's capital and liquidity position remains strong and would continue to be a heightened focus area for the Bank. However, the Bank's business could be impacted by lower lending opportunities and revenues in short to medium term. The profitability could also be impacted due to higher credit losses during the next financial year.

In March 2020, the Bank presented to its Board Risk Committee a detailed assessment of potential impact of Covid-19 on its credit portfolio. Due to limited and reasonable forward looking information, the Bank has enhanced monitoring and review of its portfolio. Considering a balanced approach and to ensure prudence, the Bank has booked a collective provision overlay of USD 9.2 million at March 31, 2020, computed based on internal stress approach with supportable assumptions possible in the current uncertain environment.

## ***IBOR reform***

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. Many uncertainties remain but the roadmap to replacement is becoming clearer. Interest rate benchmarks including, among others, the London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR), the Euro Overnight Index Average (EONIA) and certain other Interbank Offered Rates (IBORs) are being reformed. As per the UK Financial Conduct Authority (FCA), the LIBOR is expected to be discontinued, most likely after the end of 2021. Regulators globally have emphasised that it is now time for market participants to start transitioning from the use of IBORs to alternative benchmark rates.

The Bank formed a Steering Committee chaired by the Head of Corporate Banking and Legal and attended by the executive management with regular meetings to monitor and discuss the developments related to IBOR reform. The Bank has initiated new product constructs based on alternative benchmark rates and also started working on required changes to its core systems to support alternative benchmark rates.

As at March 31, 2020, the Bank has adopted the phase 1 amendments to IFRS9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019. The amendments have been adopted as at March 31, 2020 to hedging relationships. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

## ***Climate change***

The Bank closely monitors the regulatory landscape and steps being taken by the industry on 'Climate Change' and 'Environmental Social & Governance (ESG)' initiative. In July 2019, the Board Governance Committee reviewed the contents of the PRA's Supervisory Statement on 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change' published in April 2019. The CRO has been allocated the additional responsibility



as SMF to ensure that the regulatory expectations are adequately addressed and the BRC provides an oversight to the overall steps being taken on this initiative. In line with the PRA guidance, a 'high level' action plan was presented at the BRC in October 2019 which included timelines to address the four key areas defined to manage financial risks from climate change. These related to Governance, Risk management, Scenario analysis and Disclosure. A Working Group (WG) has been formed, chaired by the CRO or Head of Corporate Banking and with members from Legal, Compliance, Treasury and business groups. The members of the WG have been keeping themselves abreast of the latest guidance, regulatory expectations and attending seminars and trainings to understand the developments in the industry with regard to ESG and Climate change. An update on regulatory developments and activities undertaken in the industry in the UK and EU and also by the Parent bank was presented to the Board of Directors in March 2020 as part of the Bank's strategy discussions for FY2021.

### 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.

### 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.

By order of the Board

**Loknath Mishra**  
Managing Director & Chief Executive Officer

**Aarti Sharma**  
Chief Financial Officer & Company Secretary

May 07, 2020  
Registered address:  
One Thomas More Square  
London E1W 1YN

## Directors' report

The Directors have pleasure in presenting the Seventeenth annual report of ICICI Bank UK PLC, together with the audited financial statements for the year ended March 31, 2020.

## Financial Results

The financial statements for the reporting year ended March 31, 2020 are shown on pages 31 to 91.

## Directors

Mr. Sandeep Batra	Non Executive Director, Chairperson of the Board	
Mr. Vijay Chandok	Non Executive Director	Resigned on May 6, 2019
Mr. Sriram Hariharan	Non Executive Director	<i>Appointed on May 6, 2019</i>
Mr. Robert Huw Morgan	Independent Non Executive Director	
Mr. John Burbidge	Independent Non Executive Director	
Sir Alan Collins	Independent Non Executive Director	
Mr. Loknath Mishra	Managing Director & CEO	

## 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 considered detailed information about the current market environment, potential future conditions, profitability, cash flows and capital resources. The Directors have assessed the strategic review of the business model including the impact of Brexit and Covid-19 on the Bank's portfolio, profitability and business model. In addition, the Bank's forecasts and projections, taking account of possible changes in its business model in subsequent years (especially due to Brexit and Covid-19), including stress testing which takes account of scenarios such as the experience from the global macro-economic recession, show that the Bank will be able to operate at adequate levels of both liquidity and capital for at least 12 months from the date of approval of these financial statements.

The Directors have taken into account the availability of surplus liquidity through central bank balances and treasury bills. The Directors considered the Bank's operational resilience especially under Covid-19 situation. This included identification of critical functions and employees that support important business services, as well as ensuring safety and wellbeing of its employees and that they can safely resume their duties remotely, if required. The Bank keeps in touch with the counterparties for interbank borrowings and other funding sources to test the availability of liquidity in the market. Based on the liquidity forecast, the Bank would be able to repay all its dues. In consideration of the steps taken, the Directors are satisfied with the operational and financial resilience of the Bank.

The Directors have assessed the Bank's ability to maintain adequate liquidity levels through managing both retail and wholesale funding sources and meet the regulatory liquidity requirements through maintaining liquid assets. As at March 31, 2020, the Bank maintained liquidity and capital positions in surplus over the regulatory requirements

With regards to ICICI Bank Limited (the Parent Bank) support, the Directors considered that 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. The Directors also considered the last available capital adequacy ratio of the Parent Bank at 16.50% and Tier 1 ratio at 14.98% as at December 31, 2019. 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 the accounts.

## Share Capital

As at March 31, 2020, the issued and fully paid share capital amounted to USD 420 million (INR 31,786 million).

## Employees

As at March 31, 2020 the Bank had 168 employees (31 March 2019: 180). 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 (31 March 2019: NIL).

## Dividends

No dividends on the share capital of the Bank were proposed during the year (31 March 2019: NIL).

## Financial instruments

The Bank uses financial instruments to manage certain types of risk, including foreign exchange and interest rate risk. Details of the management of these risks are provided under Risk management section outlined in Note 38.

### Post balance sheet events

There have been no material events after the balance sheet date identified up until the date of these financial statements which would require disclosure or adjustments to the March 31, 2020 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 16, 2019 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

**Loknath Mishra**  
Managing Director & Chief Executive Officer

**Aarti Sharma**  
Chief Financial Officer & Company Secretary

May 07, 2020  
Registered number: 4663024  
Registered address:  
One Thomas More Square  
London E1W 1YN

## financial statements

The directors are responsible for preparing the Strategic Report, the 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 FRS 102 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 disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 for 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, and 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 company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**Loknath Mishra**  
Managing Director & Chief Executive Officer

**Aarti Sharma**  
Chief Financial Officer & Company Secretary

May 07, 2020

## 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 Bank") for the year ended 31 March 2020 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

- *give a true and fair view of the state of the Bank's affairs as at 31 March 2020 and of its profit 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 first appointed as auditor by the Directors on 2 July 2003. The period of total uninterrupted engagement is for the 17 financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Bank 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: including 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 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 risks	Key audit matters	Our response
<p><i>Going concern-Disclosure quality</i></p> <p>Refer to pages 18 (Directors' report) and 36 (accounting policy)</p>	<p><i>Disclosure quality</i></p> <p>The financial statements explain how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Bank.</p> <p>That judgement is based on an evaluation of the inherent risks to the Bank's business model and how those risks along with the provision of ICICI Bank Limited (Group) support, if such support would be required, might affect the Bank's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Bank's available financial resources over this period were:</p> <ul style="list-style-type: none"> <li>• The impact of COVID-19 on the Bank's financial plan</li> <li>• The ability and intention of ICICI Bank Limited to support the Bank;</li> <li>• The underlying profitability of the Bank;</li> </ul> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p><i>Our procedures included:</i></p> <ul style="list-style-type: none"> <li>• Our COVID-19 knowledge- We considered the Directors' assessment of Covid-19 related sources of risk for the Bank's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.</li> <li>• Sensitivity analysis- We considered sensitivities over the level of available financial resources indicated by the Bank's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively;</li> <li>• ICICI Group support: We reviewed the letter of support provided by the ICICI Group to the Bank and we evaluated the ability and intent of the ICICI Group to support the Bank</li> <li>• Assessing transparency: Assessing the completeness and accuracy of the matters covered in the going concern disclosure by comparing the overall picture against our understanding of the risks.</li> </ul> <p><i>Our results:</i></p> <p>We found the going concern disclosure without any material uncertainty to be acceptable (2019 result: acceptable).</p>



The risks	Key audit matters	Our response
<p><i>Specific impairment on loans and advances</i></p> <p>(Charge to profit and loss: \$2.7 million; 2019: \$105 million)</p> <p>Closing balance: \$142 million; 2019: \$153 million)</p> <p>Refer to pages 38 and 44-46 (accounting policy) and page 61 (financial Disclosures)</p>	<p><i>Subjective estimate:</i></p> <p>The carrying value of loans and advances held at amortised cost may be materially misstated 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.</p> <p>The Bank's exposures include certain loans which are individually significant in size, primarily to companies linked to India, and some linked to volatile sectors such as commodities, retail and energy. In some instances repayment may be dependent on the successful realisation of collateral.</p> <p>The wide spread effect of Covid-19 has resulted in a lock-down in many countries which is having a disruptive impact on the global economy and various business sectors including those in which the Bank's customers operate. This leads to a risk of non-identification of triggers of impairment and challenges with estimating the impairment charge.</p> <p>We determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p>	<p><i>Our procedures included:</i></p> <p><i>Control testing:</i></p> <p>We tested 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 watch list.</p> <p><i>Substantive procedures:</i></p> <p>We obtained all cases where indicators of impairment were identified by management ("watch list 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 (including the impact of Covid-19), as to whether the classification of those exposures as not being impaired was appropriate.</p> <p>Where indicators of impairment were identified, we evaluated the accuracy of individual impairment assessments by re-performing calculations and agreeing data inputs to third party documentation, including valuation reports. We also challenged key assumptions of expected future cash flows, collateral valuation, sensitivities used and realisation assumptions, by inspecting third party correspondence and independent valuation reports.</p> <p><i>Disclosures:</i></p> <p>We 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, collateral and forbearance.</p> <p><i>Our results:</i></p> <p>The results of our testing were satisfactory and we considered the specific impairment charge and provision recognised to be acceptable (2019 result: acceptable).</p>



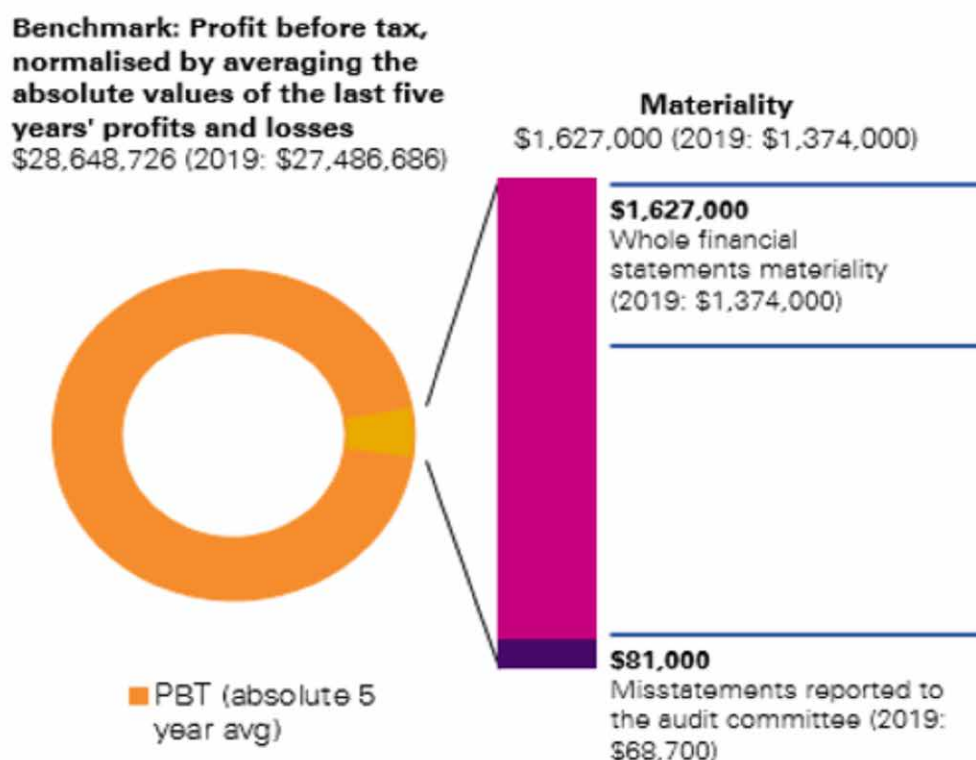
The risks	Key audit matters	Our response
<p><i>Collective provision on Loans and Advances</i></p> <p>(Charge to profit and loss: \$6.20 million; 2019: \$0.1 million Closing balance: \$18.63 million; 2019: \$12.43 million)</p> <p>Refer to pages 38 and 46-47 (accounting policy) and page 61 (financial disclosures).</p>	<p><i>Subjective Estimate:</i></p> <p>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:</p> <ol style="list-style-type: none"> <li>1) Probability of default: the likelihood of an account falling into arrears and subsequently defaulting</li> <li>2) loss given default: the loss expected on an exposure once a borrower has defaulted, which is impacted by the value of collateral available,</li> <li>3) Loss emergence period: the length of the period between the counterparty incurring a loss and the point where it is identified and confirmed.</li> </ol> <p>In addition, a judgmental economic scalar is applied by management to increase or decrease the probability of default estimates within the model and an overlay is applied by management to reflect the prevailing economic environment e.g. to account for any specific stress in a particular market or the market-wide impact of Covid-19.</p> <p>We determined that the collective provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p>	<p><i>Our procedures included:</i></p> <p><i>Control Testing:</i></p> <p>We tested 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 adjustments made to it, and the input of key data into the collective provision model.</p> <p>We tested the design, implementation and operating effectiveness of the controls over the authorisation and application of judgmental scalars and management overlays.</p> <p><i>Substantive procedures:</i></p> <p>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. We tested the completeness and accuracy of key inputs (e.g. year end balances, risk gradings) to the model, and performed a recalculation of the model output.</p> <p>We re-calculated the application of scalars and assessed the materiality of the impact on the collective provision recognised.</p> <p>We challenged management's additional overlays applied to the model outcome to capture the risks emerging from specific sectors and on account of COVID-19 by assessing the appropriateness, reliability and accuracy of data used, including recalculating the amount.</p> <p><i>Our results</i></p> <p>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 (2019 result: acceptable).</p>

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Bank's own preparation, the relative significance of this matter on our audit work, including in relation to the impairment allowance which remains a key audit matter, has reduced. Accordingly, we no longer consider this as a key audit matter.

### 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 \$1,627,000 (2019: \$1,374,000), 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, of which it represents 5.7% (2019: 5.0%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$81,000 (2019: \$68,700), in addition to other identified misstatements that warranted reporting on qualitative grounds.



Our audit of the Bank 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:

- Loan operations
- Treasury operations, including the hedge accounting process
- Certain finance processes including key reconciliations
- Valuation controls and assessment of centralised valuation models

- IT infrastructure and controls

We inspect the audit work performed by our network firm throughout the year to assess the audit work performed.

#### **4 We have nothing to report on going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Bank or to cease its operations, and as they have concluded that the Bank's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Bank will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Bank's 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 and 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 Bank, 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 21, 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 Bank'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 Bank 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 or other irregularities (see below), 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.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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 general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and from inspection of the Bank's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Bank is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Bank is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Bank's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct, financial crime including money laundering, sanctions list and market abuse regulations recognising the financial and regulated nature of the Bank's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely

the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Bank'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 Bank'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 Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Richard Faulkner (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

May 07, 2020

**Profit and loss account for the year ended March 31, 2020**

Convenience translation (Refer to Note 2 (b))

	Note	Year ended March 31, 2020  USD 000s	Year ended March 31, 2019  USD 000s	Year ended March 31, 2020  INR million*	Year ended March 31, 2019  INR million*
Interest income and similar income	5	123,971	130,009	9,380	9,837
Interest expense	6	(59,708)	(59,487)	(4,518)	(4,501)
<b>Net interest income</b>		<b>64,263</b>	<b>70,522</b>	<b>4,862</b>	<b>5,336</b>
Fees and commissions receivable		8,475	8,042	641	608
Foreign exchange revaluation gains		6,969	5,363	527	406
Income/(Loss) on financial instruments at fair value through profit and loss	7	(749)	126	(57)	10
Other operating income		375	562	28	43
Loss on sale of financial assets		(23)	(4,773)	(02)	(361)
<b>Total revenue</b>		<b>79,310</b>	<b>79,842</b>	<b>5,999</b>	<b>6,042</b>
Administrative expenses	8,9	(37,402)	(33,314)	(2,830)	(2,521)
Depreciation	22	(994)	(796)	(75)	(60)
Impairment on investment securities	21	(3,432)	(992)	(260)	(75)
Impairment on loans and advances	20	(8,902)	(104,401)	(674)	(7,900)
<b>Operating (loss)/ profit before tax</b>		<b>28,580</b>	<b>(59,661)</b>	<b>2,160</b>	<b>(4,514)</b>
Tax on operating (loss)/profit	11	(5,331)	6,792	(403)	514
<b>(Loss) /Profit after tax</b>		<b>23,249</b>	<b>(52,869)</b>	<b>1,757</b>	<b>(4,000)</b>

The result for the year is derived entirely from continuing activities. The notes on pages 35 to 93 form part of these financial statements.

\* INR figures are unaudited

**Statement of other comprehensive Income  
for the year ended March 31, 2020**

Convenience translation (Refer to Note 2 (b))

	Year ended March 31, 2020  USD 000s	Year ended March 31, 2019  USD 000s	Year ended March 31, 2020  INR million*	Year ended March 31, 2019  INR million*
<b>Profit/(Loss) on ordinary activities after tax</b>	<b>23,249</b>	<b>(52,869)</b>	<b>1,758</b>	<b>(4,000)</b>
<b>Other comprehensive Income</b>				
Movement in fair value during the year	(30,402)	(610)	(2,299)	(47)
Movement in cash flow hedge during the year	(289)	-	(21)	-
Taxation relating to other comprehensive income	5,511	523	417	40
Net movement in other comprehensive income	(25,180)	(87)	(1,904)	(07)
<b>Other comprehensive income for the period, net of tax</b>	<b>(25,180)</b>	<b>(87)</b>	<b>(1,904)</b>	<b>(07)</b>
<b>Total comprehensive income for the year</b>	<b>(1,931)</b>	<b>(52,956)</b>	<b>(146)</b>	<b>(4,007)</b>

The notes on pages 35 to 93 form part of these financial statements.

\* INR figures are unaudited

**Balance sheet at March 31, 2020**

Convenience translation (Refer to Note 2 (b))

	Note	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Assets</b>					
Cash and cash equivalents	16	289,988	273,101	21,942	20,664
Loans and advances to banks	17	168,105	144,881	12,720	10,962
Loans and advances to customers	18	2,074,527	2,423,180	156,969	183,350
Investment in Treasury Bills	21	263,617	297,509	19,947	22,511
Other investment securities	21	607,599	608,610	45,974	46,050
Derivative financial instruments	41	33,964	29,259	2,570	2,214
Tangible and Intangible fixed assets	22	4,107	2,302	311	175
Other assets	23	82,985	43,270	6,279	3,274
Prepayment and accrued income		15,792	18,048	1,194	1,366
<b>Total assets</b>		<b>3,540,684</b>	<b>3,840,160</b>	<b>267,906</b>	<b>290,566</b>
<b>Liabilities</b>					
Deposits by banks	24	285,939	559,541	21,636	42,338
Customer accounts	25	2,042,228	2,140,798	154,525	161,983
Bonds and medium term notes	26	295,301	238,632	22,344	18,056
Subordinated liabilities	27	219,854	223,348	16,635	16,900
Derivative financial instruments	41	73,225	19,918	5,541	1,507
Other liabilities	28	18,843	32,265	1,426	2,441
Accruals and deferred income		20,724	24,064	1,568	1,821
Repurchase agreements	29	131,238	147,263	9,930	11,143
<b>Total Liabilities</b>		<b>3,087,352</b>	<b>3,385,829</b>	<b>233,605</b>	<b>256,189</b>
<b>Shareholders' funds:</b>					
Issued share capital	30	420,095	420,095	31,786	31,786
Capital contribution		11,634	10,703	880	810
Retained earnings		57,383	34,133	4,342	2,583
Available for sale reserve		(35,780)	(10,600)	(2,707)	(802)
<b>Total Equity</b>		<b>453,332</b>	<b>454,331</b>	<b>34,301</b>	<b>34,377</b>
<b>Total Equity and Liabilities</b>		<b>3,540,684</b>	<b>3,840,160</b>	<b>267,906</b>	<b>290,566</b>

The notes on pages 35 to 93 form part of these financial statements. These financial statements were approved by the Board of Directors on May 01, 2020 and were signed on its behalf by:

**Loknath Mishra**  
 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, 2020**

	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, 2018	<b>420,095</b>	<b>87,002</b>	<b>(10,513)</b>	<b>10,168</b>	<b>506,752</b>
Capital contribution (share based payments)	-	-	-	535	535
(Loss)/Profit on ordinary activities after tax and Other comprehensive income	-	(52,869)	(87)	-	(52,956)
As at April 1, 2019	420,095	34,133	(10,600)	10,703	454,331
Capital contribution (share based payments)	-	-	-	931	931
Profit on ordinary activities after tax and Other comprehensive income	-	23,250	(25,180)	-	(1,930)
<b>Closing shareholders' funds as at March 31, 2020</b>	<b>420,095</b>	<b>57,383</b>	<b>(35,780)</b>	<b>11,634</b>	<b>453,332</b>

The notes on pages 35 to 93 form part of these financial statements.

Convenience translation* (Refer to Note 2 (b))	Issued Share Capital	Retained earnings	Other Comprehensive Income	Capital Con- tribution	Total
	INR million	INR million	INR million	INR million	INR million
As at April 1, 2018	31,786	6,583	(795)	769	38,343
Capital contribution (share based payments)	-	-	-	41	41
(Loss)/Profit on ordinary activities after tax and Other comprehensive income	-	(4,000)	(7)	-	(4,007)
As at April 1, 2019	31,786	2,583	(802)	810	34,377
Capital contribution (share based payments)	-	-	-	70	70
Profit/(Loss) on ordinary activities after tax and Other comprehensive income	-	1,759	(1,905)	-	(146)
<b>Closing shareholders' funds as at March 31, 2020</b>	<b>31,786</b>	<b>4,342</b>	<b>(2,707)</b>	<b>880</b>	<b>34,301</b>

The notes on pages 35 to 93 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 with 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;
- Certain disclosures required by FRS 102.26 Share based payments; and
- Related party disclosures contained in section 33 of FRS 102.

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 or 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. (Refer 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 any transactions with key management personnel of the entity or its parent. (Refer Note 44).

The company discloses transactions with related parties which are not wholly owned of the same group.

#### **(e) Going concern**

The Directors consider it appropriate to prepare the financial statements on a going concern basis as they are satisfied that the Bank has the resources to continue its business for at least 12 months from the date of approval of these financial statements. In making their assessment, the Directors have considered detailed information about the current market environment, potential future conditions, profitability, cash flows and capital resources. The Directors have assessed the strategic review of the business model including the impact of Brexit and Covid-19 on the Bank's portfolio, profitability and business model. In addition, the Bank's forecasts and projections, taking account of possible changes in its business model in subsequent years (especially due to Brexit and Covid-19), including stress testing which takes account of scenarios such as the experience from the global macro-economic recession, show that the Bank will be able to operate at adequate levels of both liquidity and capital for at least 12 months from the date of approval of these financial statements demonstrating the Bank's financial resilience.

The Directors considered the Bank's operational resilience especially under Covid-19 situation. This included identification of critical functions and employees that support important business services, as well as ensuring safety and wellbeing of its employees and that they can safely resume their duties remotely, if required. The Bank ensured that its Information Technology (IT) infrastructure along with its Virtual Private Network (VPN) can support higher usage over an extended period keeping the Information Security intact. The Bank engaged with its critical outsourced vendors to check their preparedness and ascertain no disruption to its customers.

The Directors considered financial resilience of the Bank taking into account the Bank's decision to keep sufficient surplus liquidity through central bank balances and treasury bills. The Bank has been conserving liquidity through selective new business volumes, engaging with counterparties for funding as well as short term liquidity forecasting and monitoring. The Bank keeps in touch with the counterparties for interbank borrowings and other funding sources to test the availability of liquidity in the market. Based on the liquidity forecast, the Bank would be able to repay all its dues. In consideration of the steps taken, the Directors are satisfied with the operational and financial resilience of the Bank.

Further information relevant to the Directors for making the assessment has been provided to demonstrate the Bank's ability to maintain adequate liquidity levels through managing both retail and wholesale funding sources and meet the regulatory liquidity requirements through maintaining liquid assets. As at March 31, 2020, the Bank maintained liquidity and capital positions in surplus over the regulatory requirements. The Bank's risk management policies and procedures are outlined in Note 38.

With regards to ICICI Bank Limited (the Parent Bank) support, the Directors considered that 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. The Directors also considered the last available capital adequacy ratio of the Parent

Bank at 16.50% and Tier 1 ratio at 14.98% as at December 31, 2019. 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 the 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 borrowings are expensed to the profit and loss account over the life of the borrowing 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 as 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 as at the date of the transaction. The Germany branch is 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 at fair value.

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.

Management determines the classification of financial assets at initial recognition. The Bank derecognises financial 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 the 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 repurchase), 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 an 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 the 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 equities held in 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 provides 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 a derivative that is a financial guarantee contract or a designated as an 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.

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 maturities 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 the 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 and 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 the profit and loss account, the impairment loss is reversed, with the amount of the reversal recognised in the profit and 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 a cash flow hedge or in the profit and loss account in case of a 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, 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.

## **(//) 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 the 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 an individual and a portfolio basis.

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

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 <sup>1</sup>

<sup>1</sup>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 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) Tax on profit on ordinary activities**

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 the 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 assets**

The other assets mainly consist of interest receivables, margins placed with the counterparties for repurchase and derivative financial transactions, cash reserves maintained with the Bank of England, deferred tax assets, amounts in clearing and other receivables.

#### **(x) Other liabilities**

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

#### **(y) 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 issuance 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 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.

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

- i) **Specific impairment:** In accordance with the Bank's Credit Risk Management Policy (CRMP), the Bank periodically reviews, 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. The Bank then assesses whether a specific impairment is required in respect of these cases.

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.

**Identification of specific impairment in an account:** The Bank's policy is to identify and recognise 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 the 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 following disclosures have been provided in Note 20:

- Net loan impairment charge to profit and loss account
- Movement in impairment allowance on loans and advances

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 possible 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, 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.

**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 the 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 account 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 considers forbearance as concessions including interest rate/loan tenor towards a debtor that is experiencing difficulties in meeting its financial commitments.

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 a qualitative and quantitative evaluation of whether cash flows of original assets and the modified or replacement assets are substantially different.

#### **Payment deferrals under Covid-19**

Any payment deferrals and covenants relaxation sought by the borrowers are evaluated on a case to case basis. A reasonable period of the deferment is considered in line with the internal guidelines approved by the Board Credit Committee. The deferment of debt obligations under these guidelines are for specified period and for the purpose to support borrowers adversely impacted due to COVID-19. Any deferment of principal/interest/both in accordance with these guidelines will not be treated as a concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower and consequently, such a measure, by itself, shall not result in change in asset classification and will not trigger forbearance classification.



The rescheduling of above payments, including interest, will not qualify as a default, such as counting of days past due, for the purposes of accounting, supervisory reporting and reporting to credit bureau(s), if any, by the Bank. Such rescheduling shall not be considered as an objective evidence of impairment for accounting and regulatory purposes.

- ii) **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 take into account macroeconomic factors as well as variables relevant to the Bank's customer base. The LGD for the externally rated Asset Backed Securities (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.

The Bank conducted an assessment of its portfolio as at March 31, 2020 on account of Covid-19. Considering the uncertainty around how long the disruption would last, the Bank has booked a collective provision overlay of USD 9.2 million at March 31, 2020, computed based on internal stress approach with supportable assumptions possible in the current uncertain environment.

Refer Note 38 (Risk Management Framework- Credit risk section) for sensitivity analysis on Collective provisions.



## (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, 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, 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.

## (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. Management makes an assessment of DTA 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. Refer Note 11(f) for DTA assumptions.

## 5 Interest income and similar income

Interest income is 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 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, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Interest income on financial assets under AFS category	15,898	16,759	1,203	1,268
Interest income on financial assets under HTM category	9,522	9,698	720	734
Interest income on financial assets under Loans and receivable category	98,509	102,763	7,454	7,775
Interest income on financial assets measured at FVTPL	42	789	3	60
<b>Total</b>	<b>123,971</b>	<b>130,009</b>	<b>9,380</b>	<b>9,837</b>

## 6 Interest expenses

Interest expense is recognised in the 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 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, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Interest expense on financial liabilities measured at amortised cost	(59,708)	(59,487)	(4,518)	(4,501)
<b>Total</b>	<b>(59,708)</b>	<b>(59,487)</b>	<b>(4,518)</b>	<b>(4,501)</b>

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

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

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Realised gains/(losses) on derivative instruments	1,369	1,247	104	94
Unrealised gains/(losses) on derivative instruments#	(2,118)	(1,121)	(161)	(84)
<b>Total</b>	<b>(749)</b>	<b>126</b>	<b>(57)</b>	<b>10</b>

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

\* INR figures are unaudited

## 8 Administrative expenses

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Staff costs (including Directors' emoluments):				
- Wages and salaries	21,498	18,726	1,627	1,417
- Social security costs	1,987	1,573	150	119
- Other pension costs	673	509	51	39
Operating lease expenses	1,868	1,958	141	148
Other administrative expenses	11,376	10,548	861	798
<b>Total</b>	<b>37,402</b>	<b>33,314</b>	<b>2,830</b>	<b>2,521</b>

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

	Year ended March 31, 2020 No. of Employees	Year ended March 31, 2019 No. of Employees
Management	74	65
Non Management	94	115
<b>Total</b>	<b>168</b>	<b>180</b>

## 9 Auditor's remuneration

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Fees payable to the Bank's statutory auditors and their associates for the audit of Bank's annual accounts	528	497	40	38
Fees payable to the Bank's statutory auditors and their associates for other services:				
Audit related assurance services	385	444	29	34
<b>Total</b>	<b>913</b>	<b>941</b>	<b>69</b>	<b>72</b>

## 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, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
UK Corporation tax at 19% (2019: 19%)	951	0	72	-
Overseas corporation charge	1,904	1198	144	92
Double tax relief	0	0	-	-
Adjustments for prior years	-	(403)	-	(30)
	2,855	795	216	61
Deferred tax charge/(credit)	-	-	-	-
- Origination/timing and rate difference	2,476	(7,587)	187	(574)
Total tax for the year ended March 31	5,331	(6,792)	403	(514)

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

	Year ended March 31, 2020 USD 000s			Year ended March 31, 2019 USD 000s		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	2,855	2,476	5,331	795	(7,587)	(6,792)
Recognised in other comprehensive income		(5,511)	(5,511)		(523)	(523)
<b>Total tax</b>	<b>2,855</b>	<b>(3,035)</b>	<b>(180)</b>	<b>795</b>	<b>(8,110)</b>	<b>(7,315)</b>

	Year ended March 31, 2020 INR million*			Year ended March 31, 2019 INR million*		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	216	187	403	60	(574)	(514)
Recognised in other comprehensive income	-	(417)	(417)	-	(40)	(40)
<b>Total tax</b>	<b>216</b>	<b>(230)</b>	<b>(14)</b>	<b>60</b>	<b>(614)</b>	<b>(554)</b>

\* INR figures are unaudited

### (c) Total tax reconciliation

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Profit/(Loss) before tax	28,578	(59,661)	2,162	(4,514)
Tax using the UK CT rate of 19% (2019: 19%)	5,430	(11,335)	411	(858)
Add effects of:				
- Overseas corporate taxes	587	1,198	44	92
- Expenses not tax deductible	55	535	4	40
- Timing differences on fixed assets	-	-	-	-
- Adjustment for prior years	-	(311)	-	(24)
- Base/Rate differential/reversal of DTA	(741)	3,121	(56)	236
<b>Total tax for year ended March 31</b>	<b>5,331</b>	<b>(6,792)</b>	<b>403</b>	<b>(514)</b>

### (d) Movement in Deferred tax

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
<b>Deferred Tax Asset</b>				
Balance as at April 1	17,207	9674	1,302	732
Origination and timing differences:				
- on consolidated taxable losses	(2,739)	7,064	(207)	535
- on timing difference on fixed assets	(126)	0	(10)	-
- on AFS losses	5,563	469	421	35
	19,905	17,207	1,506	1,302
<b>Deferred Tax Liability</b>				
Balance as at April 1	(828)	-1406	(62)	(107)
Origination and timing differences;				
- on AFS transitional adjustment	337	577	25	44
- on equity gains			-	-
	(491)	(829)	(37)	(63)
<b>Net Deferred Tax as at March 31</b>	<b>19,414</b>	<b>16,378</b>	<b>1,469</b>	<b>1,239</b>

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

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Effect of:				
- On consolidated losses	10,988	13,726	831	1,039
- On timing difference on fixed assets	131	257	10	19
- On equity gains	(135)	(155)	(10)	(12)
- On AFS	8,430	2,550	638	193
<b>Total</b>	<b>19,414</b>	<b>16,378</b>	<b>1,469</b>	<b>1,239</b>

\* INR figures are unaudited

#### (f) Factors that may affect future tax charges:

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment took place in March 2020, deferred tax balances as at 31 March 2020 have been remeasured using the rate of 19%. The DTA created on consolidated losses and timing difference on fixed assets amounting to USD 11.1 million is expected to be utilised in the foreseeable future against future profits. While the Bank assessed that it would have sufficient taxable profits to recover the Deferred Tax Asset (DTA) in the near foreseeable future, on a prudent basis, the Bank decided to restrict the DTA creation on the losses that could be recovered in the next three financial years which resulted in an unrecognised DTA of USD 2.59 million. 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 0.14 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 DTA on AFS of USD 8.4 million represents DTA of USD 8.8 million created on unrealised Available For Sale (AFS) losses less deferred tax liabilities of USD 0.4 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 FY2020.

## 12 Emoluments of Directors

	Year ended March 31, 2020 USD 000s	Year ended March 31, 2019 USD 000s	Year ended March 31, 2020 INR million*	Year ended March 31, 2019 INR million*
Directors' fees and gross emoluments	851	992	64	75

The gross emoluments<sup>1</sup> of the highest paid director were USD 515,404 ( \*INR 38,998,026) (2019: USD 458,655; \*INR 34,704,160) excluding share based payments. Post-employment benefits accruing for one directors (2019: two) under a money purchase pension scheme amounted to USD 29,771 ( \*INR 2,252,640) in the current year (2019: USD 27,440; \*INR 2,076,283). Stock options<sup>2</sup> were granted and exercised by one director (2019: One).

<sup>1</sup> Gross emoluments include base salary and performance bonus

<sup>2</sup> Refer note 13 for the details of the stock option scheme.

## 13 Share-based payments

During the year, USD 0.9 million ( \*INR 70.5 million) was charged to the profit and loss account in respect of equity-settled share-based payment transactions (2019: USD 0.5 million; \*INR 40.9 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

\* INR figures are unaudited

the date of grant. Options granted in September 2015 vest over a two-year period, with 50% of the grants vesting in April 2018 and 50% of the grants vesting in April 2019. 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'. For options granted in FY2020, the exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of the options. The option expires after the exercisable period is over as above.

## 14 Related party transaction

The Bank enters into related party transactions in the ordinary course of business. The Bank is exempt from disclosing related party transactions as they are all with companies that are wholly owned within the Group (Refer note 2 (d)). The Bank has not entered into any related party transactions with companies outside of Group ownership.)

## 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. The protection of consumer deposits was funded through loans from the Bank of England and HM Treasury. The specified deposit defaults (SDD) levy was charged to Banks to cover the interest cost of the loan. The loan was fully repaid during May 2018 and no further interest will be payable. Banks will not be required to pay this levy in future.

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. As per the plan and budget, FSCS expects to levy the deposit taking sector a total of GBP 21.0 million of indicative annual levy for 2020/2021. 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 0.2 million ( \*INR 16.5 million) during FY2020 (FY2019: USD 0.2 million; \*INR 13.3 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 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, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Cash</b>	<b>161</b>	<b>373</b>	<b>12</b>	<b>28</b>
<b>Balances with Banks</b>				
-Central Bank	<b>229,080</b>	238,018	<b>17,334</b>	18,010
-Other banks	<b>60,747</b>	34,710	<b>4,596</b>	2,626
	<b>289,988</b>	273,101	<b>21,942</b>	20,664

\* INR figures are unaudited



## 17 Loans and advances to banks

### (a) Residual Maturity

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Banks</b>				
Repayable on demand		-		-
<i>Other loans and advances</i>				
Remaining Maturity:				
5 years or less but over 1 year	156	160	12	12
1 year or less but over 3 months	80,263	31,594	6,073	2,391
3 months or less	79,635	97,765	6,027	7,398
	160,054	129,519	12,112	9,801
<b>Parent and Group Companies</b>				
Repayable on demand		-		-
<i>Other loans and advances</i>				
Remaining Maturity:				
5 years or less but over 1 year	2,548	310	193	23
1 year or less but over 3 months	3,751	15,022	283	1,136
3 months or less	1,769	101	133	7
	8,068	15,433	609	1,166
<b>Sub Total</b>	168,122	144,952	12,721	10,967
<b>Collective provision</b>	(17)	(71)	(1)	(5)
<b>Total</b>	168,105	144,881	12,720	10,962

\* INR figures are unaudited

## (b) Concentration of exposure

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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Total gross advances to banks located in:</b>				
UK	19,012	30,582	1,439	2,314
Europe	-	-	-	-
North America	-	-	-	-
India	149,110	114,370	11,282	8,656
Rest of the World	-	-	-	-
<b>Total</b>	<b>168,122</b>	<b>144,952</b>	<b>12,721</b>	<b>10,970</b>

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, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Carrying amount of loans	-	30,582	-	2,314

## 18 Loans and advances to customers

### (a) Residual Maturity

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Repayable on demand or at short notice	10,159	10,944	769	828
<i>Other loans and advances</i>				
Remaining Maturity:				
Over 5 years	390,266	723,959	29,529	54,778
5 years or less but over 1 year	1,289,243	1,129,403	97,550	85,455
1 year or less but over 3 months	271,094	275,158	20,512	20,820
3 months or less	261,898	428,742	19,817	32,441
<b>Sub total</b>	<b>2,222,660</b>	<b>2,568,206</b>	<b>168,177</b>	<b>194,322</b>
Collective provision	(18,599)	(12,318)	(1,407)	(932)
Specific impairment allowance	(141,543)	(153,170)	(10,710)	(11,590)
<b>Total</b>	<b>2,062,518</b>	<b>2,402,718</b>	<b>156,060</b>	<b>181,800</b>

\* INR figures are unaudited

## (b) Finance lease receivables

### Residual Maturity

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Remaining Maturity :				
Over 5 years	0	2,156	-	163
5 years or less but over 1 year	9,465	13,756	717	1,041
1 year or less but over 3 months	2,223	4,569	168	346
3 months or less	1,008	1,310	76	99
<b>Sub total</b>	<b>12,696</b>	<b>21,791</b>	<b>961</b>	<b>1,649</b>
Unearned income	(674)	(1,288)	(51)	(97)
Collective provision	(13)	(41)	(1)	(3)
Specific impairment allowance	-	-	-	-
<b>Net investment in finance lease receivables</b>	<b>12,009</b>	<b>20,462</b>	<b>909</b>	<b>1,549</b>
Over 5 years	0	2,132	-	161
5 years or less but over 1 year	9,064	12,950	686	981
1 year or less but over 3 months	2,016	4,208	153	319
3 months or less	929	1,172	70	89
<b>Total</b>	<b>12,009</b>	<b>20,462</b>	<b>909</b>	<b>1,550</b>

The geographical concentration of the net investment in finance lease receivables is in the UK as at March 31, 2020 and as at March 31, 2019.

## (c) Concentration of exposure

Geographical concentrations of loans and advances to customers

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
UK	874,197	953,609	66,146	72,155
Europe	399,677	536,452	30,242	40,591
North America	435,586	613,592	32,959	46,427
India	389,111	347,916	29,442	26,325
Rest of the World	124,089	116,637	9,389	8,824
<b>Total</b>	<b>2,222,660</b>	<b>2,568,206</b>	<b>168,178</b>	<b>194,322</b>

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.

\* INR figures are unaudited

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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Carrying amount of loans	26,338	32,539	1,993	2,462

**19 Potential credit risk on financial instruments**

March 31, 2020

USD 000s

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	289,987	-	-	-	289,987
Loans and advances to banks	168,122	-	-	(17)	168,105
Loans and advances to customers	1,994,801	18,490	221,391	(160,155)	2,074,527
Investment securities	869,007	-	56,619	(54,410)	871,216
Derivative financial instruments	33,964	-	-	-	33,964
Other assets**:					
- Cheques in clearing	15	-	-	-	15
- Deposits receivable	59,178	-	-	-	59,178
Accrued income and other receivables	18,588	-	-	-	18,588
<b>Total financial instruments</b>	<b>3,433,662</b>	<b>18,490</b>	<b>278,010</b>	<b>(214,582)</b>	<b>3,515,580</b>

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

March 31, 2020

INR million\*

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	21,942	-	-	-	21,942
Loans and advances to banks	12,721	-	-	(4)	12,717
Loans and advances to customers	150,937	1,399	16,752	(12,118)	156,970
Investment securities	65,754	-	4,284	(4,117)	65,921
Derivative financial instruments	2,570	-	-	-	2,570
Other assets**:					
- Cheques in clearing	1	-	-	-	1
- Deposits receivable	4,478	-	-	-	4,478
Accrued income and other receivables	1,406	-	-	-	1,406
<b>Total financial instruments</b>	<b>259,809</b>	<b>1,399</b>	<b>21,036</b>	<b>(16,239)</b>	<b>266,005</b>

\* INR figures are unaudited

March 31, 2019

USD 000s

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	273,101	-	-	-	273,101
Loans and advances to banks	144,952	-	-	(71)	144,881
Loans and advances to customers	2,364,063	8,398	216,248	(165,529)	2,423,180
Investment securities	905,593	-	51,516	(50,990)	906,119
Derivative financial instruments	29,259	-	-	-	29,259
Other assets**:					
- Cheques in clearing	26	-	-	-	26
- Deposits receivable	13,814	-	-	-	13,814
Accrued income and other receivables	29,075	-	-	-	29,075
<b>Total financial instruments</b>	<b>3,759,883</b>	<b>8,398</b>	<b>267,764</b>	<b>(216,590)</b>	<b>3,819,455</b>

March 31, 2019

INR million\*

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash and cash equivalents	20,664	-	-	-	20,664
Loans and advances to banks	10,969	-	-	(5)	10,964
Loans and advances to customers	178,877	635	16,362	(12,525)	183,349
Investment securities	68,521	-	3,898	(3,858)	68,561
Derivative financial instruments	2,214	-	-	-	2,214
Other assets**:					
- Cheques in clearing	2	-	-	-	2
- Deposits receivable	1,045	-	-	-	1,045
Accrued income and other receivables	2,200	-	-	-	2,200
<b>Total financial instruments</b>	<b>284,492</b>	<b>635</b>	<b>20,260</b>	<b>(16,388)</b>	<b>288,999</b>

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

\* INR figures are unaudited

### Loans and advances to customers (including finance lease)

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Loans contractually past due as to principal or interest				
- Less than 60 days	18,490	47,122	1,399	3,565
- 61 to 90 days	-	-	-	-
- more than 90 days	163,985	112,807	12,408	8,536
<b>Total</b>	<b>182,475</b>	<b>159,929</b>	<b>13,807</b>	<b>12,101</b>

### Concentration of past due exposure

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
United Kingdom	297	1,349	22	102
Europe	73,713	38,724	5,577	2,930
India	82,203	88,707	6,220	6,712
Rest of the World	26,262	31,149	1,987	2,356
<b>Total</b>	<b>182,475</b>	<b>159,929</b>	<b>13,806</b>	<b>12,100</b>

### Past due whether impaired or not

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Past due not impaired	18,490	8,398	1,399	635
Past due impaired	163,985	151,531	12,408	11,466
<b>Total</b>	<b>182,475</b>	<b>159,929</b>	<b>13,807</b>	<b>12,101</b>

### Past due not impaired<sup>#</sup>

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
- Less than 60 days	18,490	8,398	1,399	635
- 61 to 90 days	-	-	-	-
- more than 90 days	-	-	-	-
<b>Total</b>	<b>18,490</b>	<b>8,398</b>	<b>1,399</b>	<b>635</b>

<sup>#</sup>Past due not impaired are stated at the total value of the exposure. This excludes gross exposures with overdues amounting USD 0.7 million which were received subsequent to the year end March 31, 2020 (FY2019: Nil). Impaired but not past due gross exposures amounted to USD 57.4 million at March 31, 2020. (FY2019: USD 64.7 million). In addition to the 'past due not impaired' exposures shown above, USD 108.2 million of outstanding exposures were also past due as at March 31, 2020. The Bank has received requests from these borrowers for deferment of payment amounting to USD 17.9 million on account of Covid-19. These requests are under consideration by the Bank.

### Forbearance

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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Gross impaired loans	101,735	132,354	7,698	9,153
Less: Provisions	(91,634)	(108,325)	(6,933)	(7,491)
Net impaired loans	10,101	24,029	765	1,662
Gross non impaired loans	15,854	3,562	1,200	246
Past dues	-	-	-	-
Not past dues	15,854	3,562	1,200	246

\* INR figures are unaudited

## 20 Impairment on loans and advances

Net loan impairment charge to profit and loss account

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
New charges	(24,943)	(104,936)	(1,887)	(7,940)
Release of allowance	17,135	2,461	1,297	186
Write off /charge directly to profit and loss	(1,094)	(1,926)	(84)	(146)
	(8,902)	(104,401)	(674)	(7,900)

## Movement in impairment allowance on loans and advances

	March 31, 2020 (USD 000s)			March 31, 2019 (USD 000s)		
	Specific Impairment	Collective Provision	Total	Specific Impairment	Collective Provision	Total
Opening Balance	153,170	12,430	165,600	134,101	12,279	146,380
Charge to profit and loss account	18,744	6,199	24,943	104,785	151	104,936
Other provision on interest income	-	-	-	419	-	419
Amounts written off	(14,198)	-	(14,198)	(82,952)	-	(82,952)
Recovery	(15,440)	-	(15,440)	(1,322)	-	(1,322)
Others (incl. FX)	(732)	-	(732)	(1,861)	-	(1,861)
<b>Closing Balance</b>	<b>141,544</b>	<b>18,629</b>	<b>160,173</b>	<b>153,170</b>	<b>12,430</b>	<b>165,600</b>

	March 31, 2020 (INR million*)			March 31, 2019 (INR million*)		
Opening Balance	11,590	941	12,531	10,147	929	11,076
Charge to profit and loss account	1,418	469	1,887	7,929	11	7,940
Other provision on interest income	-	-	-	32	-	32
Amounts written off	(1,074)	-	(1,074)	(6,277)	-	(6,277)
Recovery	(1,168)	-	(1,168)	(100)	-	(100)
Others (incl. FX)	(55)	-	(55)	(141)	-	(141)
<b>Closing Balance</b>	<b>10,711</b>	<b>1,410</b>	<b>12,121</b>	<b>11,590</b>	<b>940</b>	<b>12,530</b>

\* INR figures are unaudited



## 21 Investment securities

### Classification of Investment securities

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Analysed by class:</b>				
Government Securities	263,617	297,509	19,947	22,511
Other securities				
- Bonds	595,024	591,977	45,022	44,792
- Asset Backed Securities	8,864	10,176	671	770
- Equity	3,733	6,493	282	491
Collective provisions	(22)	(36)	(2)	(3)
Total other securities	607,599	608,610	45,973	46,050
<b>Total</b>	<b>871,216</b>	<b>906,119</b>	<b>65,920</b>	<b>68,561</b>

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Analysed by issuer:</b>				
<b>Available for sale</b>				
Issued by public bodies:				
Government Issued	251,667	280,054	19,042	21,190
Other Public sector securities	220,388	212,995	16,676	16,116
Issued by other issuers	165,078	159,030	12,490	12,033
<b>Held to Maturity</b>				
Government Issued	11,950	17,455	905	1,321
Issued by other issuers	222,155	236,621	16,809	17,904
Collective provisions	(22)	(36)	(2)	(3)
<b>Financial instruments at fair value through profit and loss</b>				
Issued by other issuers	-	-	-	-
<b>Total</b>	<b>871,216</b>	<b>906,119</b>	<b>65,920</b>	<b>68,561</b>

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Analysed by listing status:</b>				
<b>Available for sale</b>				
Unlisted	229,580	256,217	17,371	19,387
Listed	407,553	395,862	30,836	29,953
<b>Held to Maturity</b>				
Listed	234,105	254,076	17,715	19,225
Collective provisions	(22)	(36)	(2)	(3)
<b>Financial instruments at fair value through profit and loss</b>				
Unlisted	-	-	-	-
<b>Total</b>	<b>871,216</b>	<b>906,119</b>	<b>65,920</b>	<b>68,562</b>
<b>Analysed by maturity#:</b>				
Due within 1 year	280,779	320,635	21,245	24,261
Due 1 year and above	586,726	579,028	44,395	43,812
<b>Total</b>	<b>867,505</b>	<b>899,663</b>	<b>65,640</b>	<b>68,073</b>

#does not include USD 3.7 million ( \*INR 282 million) of investment in equity (FY2019: USD 6.5 million, \*INR 491 million) and collective provision of USD 0.08 million \*INR 6 million (FY2019: USD 0.04 million)

\* INR figures are unaudited

### Investments placed as collateral against borrowings from Central banks

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Carrying value of investments	141,592	130,977	10,714	9,910

### Impairment on investment securities

During the year the Bank booked an impairment loss of USD 3.45 million in respect of equity investments held as available for sale (amounting to USD 0.956 million impairment provision in FY2019).

### 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 a valuation model based on significant non market observable inputs.

### Investments held at fair value at March 31, 2020, by valuation method:

	USD 000s			
	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	251,667	-	-	251,667
Bonds	372,868	-	-	372,868
Asset Backed Securities	-	8,864	-	8,864
Equity	402	-	3,331	3,733
<b>Total</b>	<b>624,937</b>	<b>8,864</b>	<b>3,331</b>	<b>637,132</b>

The Bank has an equity exposure classified as Level 3 as at March 31, 2020 which was classified as Level 2 as at March 31, 2019. The fair value of the equity exposure has been restated as Level 3 as at March 31, 2019 for consistent presentation. The valuation methodology remained consistent with the previous year.

	INR million*			
	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	19,041	-	-	19,041
Bonds	28,213	-	-	28,213
Asset Backed Securities	-	671	-	671
Equity	30	-	252	282
<b>Total</b>	<b>47,284</b>	<b>671</b>	<b>252</b>	<b>48,207</b>

\* INR figures are unaudited

**Investments held at fair value at March 31, 2019, by valuation method:**
**USD 000s**

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	280,054	-	-	280,054
Bonds	355,357	-	-	355,357
Asset Backed Securities	-	10,176	-	10,176
Equity	562	-	5,931	6,493
<b>Total</b>	<b>635,973</b>	<b>10,176</b>	<b>5,931</b>	<b>652,080</b>

**INR million\***

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	21,190	-	-	21,190
Bonds	26,888	-	-	26,888
Asset Backed Securities	-	770	-	770
Equity	42	-	450	492
<b>Total</b>	<b>48,120</b>	<b>770</b>	<b>450</b>	<b>49,340</b>

**Investments placed as collateral against liabilities/borrowings**

Under repurchase agreements the Bank has placed certain Bonds, ABSs & FCCBs issued by financial institutions and 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
<b>Cost:</b>				
At April 1, 2019	8,727	4,908	3,919	17,554
Additions	2,046	469	283	2,798
Disposal	0	(174)	(2)	(176)
<b>At March 31, 2020</b>	<b>10,773</b>	<b>5,203</b>	<b>4,200</b>	<b>20,176</b>
<b>Accumulated depreciation:</b>				
At April 1, 2019	6,942	4,544	3,766	15,252
Charge for the year	665	183	145	993
Disposal	0	(174)	(2)	(176)
<b>At March 31, 2020</b>	<b>7,607</b>	<b>4,553</b>	<b>3,909</b>	<b>16,069</b>
<b>Net book value:</b>				
<b>At March 31, 2020</b>	<b>3,166</b>	<b>650</b>	<b>291</b>	<b>4,107</b>
At April 1, 2019	1,785	364	153	2,302

\* INR figures are unaudited

	Leasehold Improvements INR million*	Tangible Fixed Assets INR million*	Intangible Fixed Assets INR million*	Total INR million*
<b>Cost:</b>				
At April 1, 2019	660	374	297	1,331
Additions	155	34	21	210
Disposal	0	(13)	-	(13)
<b>At March 31, 2020</b>	<b>815</b>	<b>395</b>	<b>318</b>	<b>1,528</b>
<b>Accumulated depreciation:</b>				
At April 1, 2019	525	345	285	1,155
Charge for the year	50	14	11	75
Disposal	0	(13)	-	(13)
<b>At March 31, 2020</b>	<b>575</b>	<b>346</b>	<b>296</b>	<b>1,217</b>
<b>Net book value:</b>				
<b>At March 31, 2020</b>	<b>240</b>	<b>49</b>	<b>22</b>	<b>311</b>
At April 1, 2019	135	27	12	175

## 23 Other assets

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Amounts in clearing	15	26	1	2
Deposits receivable <sup>1</sup>	59,178	13,814	4,478	1,045
Deferred tax asset <sup>2</sup>	19,414	16,378	1,469	1,239
Other receivables	4,378	13,052	331	988
<b>Total</b>	<b>82,985</b>	<b>43,270</b>	<b>6,279</b>	<b>3,274</b>

<sup>1</sup> Including margin placed with clearing counterparties

<sup>2</sup>Refer note 11

## 24 Deposits by banks

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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Banks</b>				
5 years or less but over 1 year	129,329	272,541	9,786	20,623
1 year or less but over 3 months	135,211	147,500	10,231	11,160
3 months or less but not repayable on demand	21,399	139,500	1,619	10,555
<b>Total</b>	<b>285,939</b>	<b>559,541</b>	<b>21,636</b>	<b>42,338</b>

\* INR figures are unaudited

## 25 Customer accounts

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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
More than 5 years		-		-
5 years or less but over 1 year	313,900	263,958	23,750	19,972
1 year or less but over 3 months	554,071	668,752	41,924	50,601
3 months or less but not repayable on demand	183,236	112,486	13,865	8,511
	1,051,207	1,045,196	79,539	79,084
Repayable on demand	991,021	1,095,602	74,986	82,899
<b>Total</b>	<b>2,042,228</b>	<b>2,140,798</b>	<b>154,525</b>	<b>161,983</b>

## 26 Bonds and medium term notes

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Bonds issued</b>				
Residual Maturity				
5 year or less but over 1 year	198,555	25,000	15,024	1,892
1 year or less but over 3 months	77,833	178,045	5,889	13,472
3 months or less	19,278	35,822	1,459	2,710
	295,666	238,867	22,372	18,074
<b>Less: Bond issue expenses</b>	<b>(365)</b>	<b>(235)</b>	<b>(28)</b>	<b>(18)</b>
<b>Total bonds and medium term notes</b>	<b>295,301</b>	<b>238,632</b>	<b>22,344</b>	<b>18,056</b>

Details of various bonds and notes under the medium term notes programmes issued by the Bank at March 31, 2020 are as follows:

Nature of Issue: Senior unsecured bonds

\* INR figures are unaudited

Date of Issue	Interest frequency	Interest Rate	Maturity	USD 000s	INR million*
20-Feb-19	Quarterly	3.10%	Bullet repayment in February 24	25,000	1,892
17-May-19	Semi-annual	0.45%	Bullet repayment in May 22	18,555	1,404
29-May-19	Semi-annual	0.17%	Bullet repayment in June 20	9,278	702
29-May-19	Quarterly	2.20%	Bullet repayment in May 20	10,000	757
10-Jul-19	Quarterly	2.88%	Bullet repayment in July 22	5,000	378
08-Aug-19	Semi-annual	0.20%	Bullet repayment in August 20	9,278	702
07-Aug-19	Quarterly	2.71%	Bullet repayment in August 22	25,000	1,892
07-Aug-19	Quarterly	2.86%	Bullet repayment in August 22	25,000	1,892
07-Aug-19	Quarterly	2.81%	Bullet repayment in August 22	25,000	1,892
07-Aug-19	Quarterly	2.82%	Bullet repayment in August 22	25,000	1,892
08-Aug-19	Semi-annual	0.21%	Bullet repayment in August 20	9,278	702
26-Sep-19	Semi-annual	2.12%	Bullet repayment in September 20	25,000	1,892
18-Oct-19	Semi-annual	0.16%	Bullet repayment in October 20	9,277	702
25-Oct-19	Quarterly	2.52%	Bullet repayment in October 20	25,000	1,892
06-Nov-19	Quarterly	2.66%	Bullet repayment in November 21	25,000	1,892
12-Nov-19	Quarterly	2.64%	Bullet repayment in November 21	25,000	1,892
			<b>Total</b>	<b>295,666</b>	<b>22,375</b>
<b>Less: Bond issue expenses</b>				(365)	(28)
<b>Total bonds and medium term notes</b>				<b>295,301</b>	<b>22,347</b>

## 27 Subordinated debt liabilities

Sub-ordinated debt <sup>#</sup>	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Residual Maturity				
Over 5 years		-		-
5 year or less but over 1 year <sup>#</sup>	70,184	223,771	5,310	16,932
1 year or less but over 3 months	150,000	-	11,350	-
3 months or less	-	-		-
	220,184	223,771	16,660	16,932
<b>Less: Bond issue expenses</b>	(330)	(423)	(25)	(32)
<b>Total</b>	<b>219,854</b>	<b>223,348</b>	<b>16,635</b>	<b>16,900</b>

<sup>#</sup>Listed with Singapore stock exchange.

\* INR figures are unaudited

Details of the Subordinated debt liabilities issued by the Bank at March 31, 2020 are as follows:

Date of Issue	Nature of Issue	Interest Rate	Interest frequency	Maturity	USD 000s	INR million*
23-Nov-10	Subordinated Debt issued in USD currency	7%	Semi-annual	Bullet payment in November 2020	150,000	11,350
26-Sep-18	Subordinated Debt issued in SGD currency	5%	Semi-annual	Callable in 2023, Maturity in September 2028	70,184	5,310
				<b>Total</b>	<b>220,184</b>	<b>16,660</b>
<b>Less: Bond issue expenses</b>					(330)	(25)
					<b>219,854</b>	<b>16,635</b>

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, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Amounts in clearing	945	1260	72	95
Margin for derivative and repurchase transactions*	384	23,005	29	1,741
Other creditors#	17,513	8,000	1,325	605
<b>Total</b>	<b>18,842</b>	<b>32,265</b>	<b>1,426</b>	<b>2,441</b>

\*Margin for derivative and repurchase transactions reduced during the year primarily due to a reduction in CSA and repo margins on account of exchange rate movement.

# Increase in other creditors due to USD 6.6 million of unsettled investments as at March 31, 2020 since been settled & USD 1.6 million of funds received from a corporate client.

## 29 Repurchase agreements

	March 31, 2020 USD 000s		March 31, 2019 USD 000s	
	Carrying amount of liabilities	Carrying amount of collateral assets	Carrying amount of liabilities	Carrying amount of collateral assets
Repurchase agreements	131,238	151,886	147,263	177,006

	March 31, 2020 INR million*		March 31, 2019 INR million*	
	Carrying amount of liabilities	Carrying amount of collateral assets	Carrying amount of liabilities	Carrying amount of collateral assets
Repurchase agreements	9,930	11,492	11,143	13,393

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 and financial institutions with carrying value of USD 152 million ( \*INR 11,492 million) (2019: USD 177 million; \*INR 13,393 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.

\* INR figures are unaudited



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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
5 years or less but over 1 year	61,248	59,771	4,634	4,523
1 year or less but over 3 months	26,178	87,492	1,981	6,619
3 months or less	43,812	-	3,315	-
<b>Total</b>	<b>131,238</b>	<b>147,263</b>	<b>9,930</b>	<b>11,142</b>

**30 Called up share capital**
**At March 31, 2020 the Issued share capital of ICICI Bank UK PLC was:**

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
420 million ordinary shares of USD 1 each	420,000	420,000	31,779	31,779
50,002 ordinary shares of £1 each	95	95	7	7
<b>Total Share Capital</b>	<b>420,095</b>	<b>420,095</b>	<b>31,786</b>	<b>31,786</b>

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 673,071, INR 50,927,917 (2019: USD 509,021; \*INR 38,515,074) to the pension scheme. Out of this amount, USD 51,325, INR 3,883,519 was accrued at the yearend (2019: USD 41,668; \*INR 3,152,809).

**32 Contingent liabilities and commitments (Off Balance Sheet)**

As a part of its 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 a 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.

\* INR figures are unaudited

**(a) Guarantees and other commitments:**

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Guarantees</b>	<b>255,304</b>	253,527	<b>19,318</b>	19,183
<b>Other commitments</b>				
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:				
Less than one year	<b>793</b>	-	<b>60</b>	-
More than one year		-		-
<b>Total guarantees and commitments</b>	<b>256,097</b>	253,527	<b>19,378</b>	19,183

**(b) Significant concentrations of contingent liabilities and commitments**

The contingent liabilities and commitments relate to counterparties primarily in Europe & UK at 75% (2019:76%) with 96% of the beneficiaries in India (2019:92%).

**(c) Foreign exchange contracts**

In addition to the commitments disclosed above, there are outstanding foreign exchange contracts of USD 1,242 million (\*INR 93,976 million) (2019: USD 1,542 million; \*INR 116,675 million).

**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, 2020, the Bank has the following non cancellable operating lease commitments: –

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Land and Buildings</b>				
Within 1 year	<b>1,692</b>	1,859	<b>128</b>	141
Between 1 and 5 years	<b>3,450</b>	4,986	<b>261</b>	377
More than 5 years	<b>1,397</b>	1,833	<b>106</b>	139
	<b>6,539</b>	8,678	<b>495</b>	657

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

\* INR figures are unaudited

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Land and Buildings</b>				
Within 1 year	296	311	22	24
Between 1 and 5 years	443	689	34	52
More than 5 years	-	-	-	-
<b>Total</b>	<b>739</b>	<b>1,000</b>	<b>56</b>	<b>76</b>

### 35 Categories and classes of Financial Instruments

The carrying amounts of the financial assets and liabilities include:

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Financial assets measured at fair value through profit or loss	33,964	29,259	2,570	2,214
Financial assets under Available for Sale category	637,133	652,080	48,209	49,340
Financial assets under Loans and receivable category	2,610,408	2,884,077	197,517	218,223
Financial assets under Held to maturity category	234,082	254,040	17,712	19,222
<b>Total financial assets</b>	<b>3,515,587</b>	<b>3,819,456</b>	<b>266,008</b>	<b>288,999</b>
Liabilities measured at fair value through profit or loss	73,223	19,918	5,541	1,507
Liabilities measured at amortised cost	3,014,029	3,365,911	228,064	254,682
<b>Total financial liabilities</b>	<b>3,087,352</b>	<b>3,385,829</b>	<b>233,605</b>	<b>256,189</b>

#### Assets:

As at March 31, 2020

USD 000s

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to maturity	Total
Cash and cash equivalents	-	-	289,987	-	289,987
Loans and advances to banks	-	-	168,105	-	168,105
Loans and advances to customers	-	-	2,074,527	-	2,074,527
Investment Securities	-	637,133	-	234,082	871,215
Derivative financial instruments	33,964	-	-	-	33,964
Other assets#	-	-	63,571	-	63,571
Accrued income	-	-	14,219	-	14,219
<b>Total financial assets</b>	<b>33,964</b>	<b>637,133</b>	<b>2,610,409</b>	<b>234,082</b>	<b>3,515,588</b>

\* INR figures are unaudited

**As at March 31, 2020**
**INR million\***

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to maturity	Total
Cash and cash equivalents	-	-	21,942	-	21,942
Loans and advances to banks	-	-	12,720	-	12,720
Loans and advances to customers	-	-	156,969	-	156,969
Investment Securities	-	48,209	-	17,712	65,921
Derivative financial instruments	2,570	-	-	-	2,570
Other assets <sup>#</sup>	-	-	4,810	-	4,810
Accrued income	-	-	1,076	-	1,076
<b>Total financial assets</b>	<b>2,570</b>	<b>48,209</b>	<b>197,517</b>	<b>17,712</b>	<b>266,008</b>

**As at March 31, 2019**
**USD 000s**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to maturity	Total
Cash and cash equivalents	-	-	273,101	-	273,101
Loans and advances to banks	-	-	144,881	-	144,881
Loans and advances to customers	-	-	2,423,180	-	2,423,180
Investment in Securities	-	652,080	-	254,039	906,119
Derivative financial instruments	29,259	-	-	-	29,259
Other assets <sup>##</sup>	-	-	26,892	-	26,892
Accrued income	-	-	16,023	-	16,023
<b>Total financial assets</b>	<b>29,259</b>	<b>652,080</b>	<b>2,884,077</b>	<b>254,039</b>	<b>3,819,455</b>

**As at March 31, 2019**
**INR million\***

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to maturity	Total
Cash and cash equivalents	-	-	20,664	-	20,664
Loans and advances to banks	-	-	10,962	-	10,962
Loans and advances to customers	-	-	183,350	-	183,350
Investment in Securities	-	49,340	-	19,222	68,562
Derivative financial instruments	2,214	-	-	-	2,214
Other assets <sup>##</sup>	-	-	2,035	-	2,035
Accrued income	-	-	1,212	-	1,212
<b>Total financial assets</b>	<b>2,214</b>	<b>49,340</b>	<b>218,223</b>	<b>19,222</b>	<b>288,999</b>

<sup>#</sup> excludes deferred tax assets, prepaid expenses and fixed assets

<sup>##</sup> 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

<sup>\*</sup> INR figures are unaudited

**Liabilities:**
**As at March 31, 2020**
**USD 000s**

	Fair value through P&L	Non trading liability	Total
Deposits by banks	-	285,939	285,939
Customer accounts	-	2,042,228	2,042,228
Bonds and Medium term notes	-	295,301	295,301
Subordinated debts	-	219,854	219,854
Derivative financial instruments	73,225	-	73,225
Other liabilities	-	18,843	18,843
Accruals and deferred income	-	20,724	20,724
Repurchase agreements	-	131,238	131,238
<b>Total financial liabilities</b>	<b>73,225</b>	<b>3,014,127</b>	<b>3,087,352</b>

**As at March 31, 2020**
**INR million\***

	Fair value through P&L	Non trading liability	Total
Deposits by banks	-	21,636	21,636
Customer accounts	-	154,525	154,525
Bonds and Medium term notes	-	22,344	22,344
Subordinated debts	-	16,635	16,635
Derivative financial instruments	5,541	-	5,541
Other liabilities	-	1,426	1,426
Accruals and deferred income	-	1,568	1,568
Repurchase agreements	-	9,930	9,930
<b>Total financial liabilities</b>	<b>5,541</b>	<b>228,064</b>	<b>233,605</b>

**As at March 31, 2019**
**USD 000s**

	Fair value through P&L	Non trading liability	Total
Deposits by banks	-	559,541	559,541
Customer accounts	-	2,140,798	2,140,798
Bonds and Medium term notes	-	238,632	238,632
Subordinated debts	-	223,348	223,348
Derivative financial instruments	19,918	-	19,918
Other liabilities	-	32,265	32,265
Accruals and deferred income	-	24,063	24,063
Repurchase agreements	-	147,263	147,263
<b>Total financial liabilities</b>	<b>19,918</b>	<b>3,365,910</b>	<b>3,385,828</b>

**As at March 31, 2019**
**INR million\***

	Fair value through P&L	Non trading liability	Total
Deposits by banks	-	42,338	42,338
Customer accounts	-	161,983	161,983
Bonds and Medium term notes	-	18,056	18,056
Subordinated debts	-	16,900	16,900
Derivative financial instruments	1,507	-	1,507
Other liabilities	-	2,441	2,441
Accruals and deferred income	-	1,821	1,821
Repurchase agreements	-	11,143	11,143
<b>Total financial liabilities</b>	<b>1,507</b>	<b>254,682</b>	<b>256,189</b>

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 Total Capital Requirement (TCR) (earlier known as Individual Capital Guidance (ICG)) for the Bank that sets capital requirements in excess of the minimum Capital Resource Requirement. A key input to the TCR 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'.

Effective January 01, 2019, the capital conservation buffer applicable to banks in the UK increased from 1.875% to 2.5% in line with guidance from the PRA. As determined by the Financial Policy Committee (FPC) during 2017, UK countercyclical capital buffer (CCyB) rate increased from 0% to 0.5% from with effect from June 2018 and from 0.5% to 1% with effect from November 2018. During December 2019, FPC announced to increase the UK CCyB rate from 1% to 2% with effect from December 2020. However during March 2020, the FPC reduced the UK CCyB rate from 1% to 0% of banks' exposures to UK borrowers with immediate effect as part of measures to support the credit supply on account of COVID-19 related disruption. The FPC expects to maintain the 0% rate for at least 12 months, so that any subsequent increase would not take effect until March 2022 at the earliest.

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 did not raise any Tier 2 capital during the year as against USD 73 million raised during FY 2019 under its Medium Term Note Program.

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

	March 31, 2020 USD million	March 31, 2019 USD million	March 31, 2020 INR million*	March 31, 2019 INR million*
<b>Total Capital</b>	<b>547.2</b>	576.5	<b>41,411</b>	43,620
- Tier I	<b>440.9</b>	442.8	<b>33,368</b>	33,504
- Tier II	<b>106.3</b>	133.7	<b>8,043</b>	10,116

### 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 one branch in the EU which is outside UK, in Eschborn (Germany). The details of the business activities are provided in the Business Review section of the Strategic Report. Details as at March 31, 2020 are provided below:

	UK		Germany	
Number of employees	150		18	
	USD million	INR million*	USD million	INR million*
<b>Turnover<sup>1,2</sup></b>	65.1	4,926	14.2	1,074
<b>Pre-tax profit</b>	21.7	1,639	6.9	525
<b>Corporation tax paid</b>	1.2	91	2.2	169

<sup>1</sup>Income before operating expenses and provisions

<sup>2</sup>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.

\* INR figures are unaudited



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.
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, cyclicalities 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 made. 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:**

Rating	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
AAA	61,450	108,824	4,650	8,234
AA+	21,636	-	1,637	-
AA	228,274	198,862	17,272	15,047
AA-	27,404	19,293	2,074	1,460
A+	-	-	-	-
A and A-	-	-	-	-
BBB-	477,206	507,673	36,108	38,413
BB+ and below	51,537	65,010	3,900	4,919
Unrated	3,732	6,493	282	491
<b>Total</b>	<b>871,239</b>	<b>906,155</b>	<b>65,923</b>	<b>68,564</b>

#### 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, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
AAA to AA-	117,803	119,952	3,806	9,076
A+ to A-	50,319	25,000	8,914	1,892
BBB+ to BBB-	-	-	-	-
BB and below	-	-	-	-
<b>Total</b>	<b>168,122</b>	<b>144,952</b>	<b>12,720</b>	<b>10,968</b>

## 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, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
AAA to AA-	99,437	122,924	7,524	9,301
A+ to A-#	1,262,057	1,307,665	95,494	98,945
BBB+ to BBB-##	586,899	904,502	44,407	68,439
BB and below	252,222	214,707	19,084	16,246
<b>Total</b>	<b>2,200,615</b>	<b>2,549,798</b>	<b>166,509</b>	<b>192,931</b>

#Includes USD 492.1 million ( \*INR 37,233 million) of loans classified as "Strong" (2019: USD 387.1 million: \*INR 29,289 million); the classification is based on the supervisory slotting criteria under the Basel framework.

##Includes USD 50.5 million ( \*INR 3,818 million) of loans classified as "Good" (2019: USD 78.2 million: \*INR 5,919 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, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
BB and below	-	5,020	-	380
<b>Total</b>	<b>-</b>	<b>5,020</b>	<b>-</b>	<b>380</b>

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

Rating	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
AAA to AA-	6,248	6,406	473	485
A+ to A-	27,819	5,984	2,105	453
BBB+ to BBB-	-	21,499	-	1,627
BB and below	-	-	-	-
<b>Total</b>	<b>34,067</b>	<b>33,889</b>	<b>2,578</b>	<b>2,565</b>

\* INR figures are unaudited

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

### Industry exposure

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

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Industrials	372,290	408,302	28,169	30,894
Consumer Discretionary	325,288	467,028	24,613	35,338
Consumer Staples	118,820	180,756	8,991	13,677
Energy	81,678	77,644	6,180	5,875
Financials	90,818	130,087	6,872	9,843
Gems and Jewellery	56,398	67,478	4,267	5,106
Healthcare	41,308	70,654	3,126	5,346
Information Technology	107,362	191,589	8,124	14,497
Materials	342,492	379,668	25,915	28,728
Real Estate <sup>#</sup>	656,872	556,461	49,701	42,105
Telecom Services	40,847	53,448	3,091	4,044
Utilities	0	5,020	0	380
Others	509	572	39	43
<b>Total</b>	<b>2,234,682</b>	<b>2,588,707</b>	<b>169,088</b>	<b>195,876</b>

<sup>#</sup>Includes ABS/MBS portfolio held as loans and receivables

### 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:

<b>Loans and advances to customers</b>	<b>March 31, 2020 USD 000s</b>	<b>March 31, 2019 USD 000s</b>	<b>March 31, 2020 INR million*</b>	<b>March 31, 2019 INR million*</b>
Collateral value	<b>1,018,630</b>	<b>804,705</b>	77,075	60,888
Gross loans and advances	<b>2,234,682</b>	<b>2,588,707</b>	169,088	195,876
Less: Investments held as loans and receivables	<b>(34,067)</b>	<b>(38,909)</b>	(2,578)	(2,945)
Outstanding balance against which collateral held	<b>2,200,615</b>	<b>2,549,798</b>	166,510	192,931

Value of collateral held against loans and advances to banks as at March 31, 2020 is USD 19.0 million (2019:USD 30.6 million).

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 or obtaining the collateral, or time value. In the ordinary course of business, the Bank pursues litigation in order to recover any overdue exposures. Sometimes the successful outcome of litigation can be material to the results of the Bank.

The maximum amount of on balance sheet credit risk, without taking account any collateral or netting arrangements, as at March 31, 2020 is approximately USD 3.5 billion ( \*INR 266 billion) (2019: USD 3.8 billion; \*INR 289 billion). The maximum amount of off balance sheet credit risk on guarantees and letters of credit is approximately USD 255 million ( \*INR 19,318 million) (2019: USD 254 million; \*INR 19,183 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.

The Bank follows FRS102 guidelines for collective impairment wherein the provisioning is determined by underlying credit risk and is sensitive to various factors including credit ratings and economic scalars for countries and sectors. For example, a 5% increase in all country scalars would result in USD 0.17 million increase in the collective impairment allowance.

## 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. It also includes the interest rate risk in the banking book. The Bank's key policies for managing market risk as approved by the BRC/ALCO 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

\* INR figures are unaudited



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:

- **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, 2020 was USD 4.3 million ( \*INR 325 million) (2019: USD 1.8 million; \*INR 139 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 a 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, 2020 was USD 3.7 million ( \*INR 282 million) (2019: USD 6.5 million, \*INR 491 million). The option value of convertibles was Nil at March 31, 2020 (2019: 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 and Services Group (TCSG). Some of the risk metrics adopted by the Bank for monitoring its risks are VaR, DoE, 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 its investment portfolio as at March 31, 2020 was USD 3.59 million ( \*INR 272 million) (2019: USD 2.10 million; \*INR 159 million). The maximum, average and minimum VaR during the year for the AFS book portfolio, including its investment portfolio, was USD 3.59 million ( \*INR 272 million) (2019: USD 2.77 million; \*INR 210 million), USD 2.29 million ( \*INR 173 million) (2019: USD 1.90 million; \*INR 144 million) and USD 1.88 million ( \*INR 142 million) (2019: USD 1.25 million; \*INR 95 million) respectively.



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

Particulars	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Portfolio size (Market value)	633,400	645,587	47,926	48,848
Change in value due to 100 bps movement in interest rate	(12,271)	(12,373)	(928)	(936)
Change in value due to 200 bps movement in interest rate	(24,541)	(24,745)	(1,857)	(1,872)

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

Particulars	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Portfolio size (Market value)	633,400	645,587	47,926	48,848
Change in value due to 100 bps movement in interest rate	12,271	12,373	928	936
Change in value due to 200 bps movement in interest rate	24,541	24,745	1,857	1,872

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, 2020, assuming a parallel shift in the yield curve, has been set out in the following table:

#### Equivalent in USD million

Currency	Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps
USD	5.9	(2.3)
GBP	6.9	(6.4)
EUR	1.4	4.0
Other currencies	0.3	(0.2)
<b>Total</b>	<b>14.5</b>	<b>(4.9)</b>

#### Equivalent in INR million\*

Impact on Net Interest Income over a one year horizon	
Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps
448	(172)
521	(483)
106	306
21	(21)
<b>1,096</b>	<b>(370)</b>

\* VAR calculation and INR figures are unaudited

The equivalent impact analysis as at March 31, 2019 is set out in the following table:

#### Equivalent in USD million

Currency	Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps
USD	6.1	(5.8)
GBP	5.6	(6.0)
EUR	2.7	5.7
Other currencies	(0.4)	0.4
<b>Total</b>	<b>14.0</b>	<b>(5.7)</b>

#### Equivalent in INR million\*

Impact on Net Interest Income over a one year horizon	
Increase in interest rates by 200 bps	Decrease in interest rates by 200 bps
462	(439)
424	(454)
204	431
(30)	30
<b>1,050</b>	<b>(432)</b>

### 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, Recovery and Resolution plans (LC-RRP)

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. 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 by ensuring 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.

\* VAR calculation and 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, 2020 was 0.29 (0.30 as at March 31, 2019). 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, 2020 was 0.60 (0.65 as at March 31, 2019).

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, 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 behaviour 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, BRC and Board on a monthly and quarterly basis respectively. The Bank also tracks its NSFR, though it is yet to be introduced as a regulatory requirement in the United Kingdom.

The Bank also has a LC-RRP which details the overall approach and actions the Bank would undertake in order to manage the Bank's liquidity position during stressed conditions. The LC-RRP 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, 2020, 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	22,080	18,020	118,770	129,437	-	288,307
Customer accounts <sup>#</sup>	1,177,834	340,330	223,019	323,869	-	2,065,052
Other liabilities	18,360	-	-	384	1	18,745
Derivative financial liabilities	15,489	12,232	5,761	28,139	5,728	67,349
Accruals and deferred income <sup>#</sup>	20,724	-	-	-	-	20,724
Bonds and medium term notes	20,932	45,163	36,951	205,768	-	308,814
Subordinated debt	3,608	3,608	153,406	79,523	-	240,145
Repurchase Agreements	44,625	26,776	1,059	64,687	-	137,147
<b>Total Liabilities</b>	<b>1,323,652</b>	<b>446,129</b>	<b>538,966</b>	<b>831,807</b>	<b>5,729</b>	<b>3,146,283</b>

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	1,671	1,363	8,987	9,794	-	21,815
Customer accounts <sup>#</sup>	89,121	25,751	16,875	24,506	-	156,253
Other liabilities	1,389	-	-	29	-	1,418
Derivative financial liabilities	1,172	926	436	2,129	433	5,096
Accruals and deferred income <sup>#</sup>	1,568	-	-	-	-	1,568
Bonds and medium term notes	1,584	3,417	2,796	15,569	-	23,366
Subordinated debt	273	273	11,607	6,017	-	18,170
Repurchase Agreements	3,377	2,026	80-	4,895	-	10,378
<b>Total Liabilities</b>	<b>100,155</b>	<b>33,756</b>	<b>40,781</b>	<b>62,939</b>	<b>433</b>	<b>238,064</b>

<sup>#</sup> Interest accrued on customer deposits is reclassified into customer accounts.

\* INR figures are unaudited

**At March 31, 2019, 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	142,004	104,411	47,727	277,452	-	571,594
Customer accounts <sup>#</sup>	1,210,243	372,913	309,136	270,602	-	2,162,894
Other liabilities	32,265	-	-	-	-	32,265
Derivative financial liabilities	3,985	1,947	1,634	4,434	3,523	15,523
Accruals and deferred income <sup>#</sup>	16,480	-	-	-	-	16,480
Bonds and medium term notes	37,698	129,255	51,411	29,037	-	247,401
Subordinated debt	3,599	3,599	7,237	244,448	-	258,883
Repurchase Agreements	-	40,959	46,534	59,770	-	147,263
<b>Total Liabilities</b>	<b>1,446,274</b>	<b>653,084</b>	<b>463,679</b>	<b>885,743</b>	<b>3,523</b>	<b>3,452,303</b>

**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	10,745	7,900	3,611	20,993	-	43,249
Customer accounts <sup>#</sup>	91,573	28,216	23,391	20,475	-	163,655
Other liabilities	2,441	-	-	-	-	2,441
Derivative financial liabilities	302	147	124	335	267	1,175
Accruals and deferred income <sup>#</sup>	1,247	-	-	-	-	1,247
Bonds and medium term notes	2,852	9,780	3,890	2,197	-	18,719
Subordinated debt	272	272	548	18,496	-	19,588
Repurchase Agreements	-	3,099	3,521	4,522	-	11,142
<b>Total Liabilities</b>	<b>109,432</b>	<b>49,414</b>	<b>35,085</b>	<b>67,018</b>	<b>267</b>	<b>261,216</b>

<sup>#</sup> 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, 2020 (Nil for March 31, 2019)

\* 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, 2020	March 31, 2020	March 31, 2019	March 31, 2019
	Fair value	Book value	Fair value	Book value
<b>Non trading book financial assets and liabilities</b>				
<b>Assets:</b>				
Cash and cash equivalents	289,987	289,987	273,101	273,101
Loans and advances to banks	168,102	168,102	144,881	144,881
Loans and advances to customers	2,069,053	2,074,530	2,403,365	2,423,180
Investment securities	861,362	871,216	909,042	906,119
<b>Liabilities:</b>				
Deposits by banks and customer accounts	2,328,301	2,328,167	2,701,445	2,700,339
Bonds and medium term notes	287,167	295,301	239,251	238,632
Subordinated debts	216,670	219,854	229,683	223,348
Repurchase agreements	131,238	131,238	147,263	147,263
<b>Financial assets and liabilities at fair value through profit and loss</b>				
<b>Assets:</b>				
Derivative financial instruments	33,964	33,964	29,259	29,259
<b>Liabilities:</b>				
Derivative financial instruments	73,225	73,225	19,918	19,918

INR million\*

	March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019
	Fair value	Book value	Fair value	Book value
<b>Non trading book financial assets and liabilities</b>				
<b>Assets:</b>				
Cash and cash equivalents	21,942	21,942	20,664	20,664
Loans and advances to banks	12,719	12,719	10,962	10,962
Loans and advances to customers	156,555	156,969	181,851	183,350
Investment securities	65,175	65,921	68,783	68,561
<b>Liabilities:</b>				
Deposits by banks and customer accounts	176,171	176,161	204,405	204,321
Bonds and medium term notes	21,728	22,344	18,103	18,056
Subordinated debts	16,394	16,635	17,379	16,900
Repurchase agreements	9,930	9,930	11,143	11,143
<b>Financial assets and liabilities at fair value through profit and loss</b>				
<b>Assets:</b>				
Derivative financial instruments	2,570	2,570	2,214	2,214
<b>Liabilities:</b>				
Derivative financial instruments	5,541	5,541	1,507	1,507

\*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, 2020, the notional amounts of interest rate swaps and foreign exchange contracts designated as fair value hedges were USD 545 million ( \*INR 41,255 million) (2019: USD 521 million; \*INR 39,400 million) and these contracts had a net negative fair value of USD 14.83 million ( \*INR 1,122 million) (2019: net positive fair value of USD 2.32 million; \*INR 176 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 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 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.

*\* INR figures are unaudited*



	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Change in fair value of hedged items recognised in profit and loss account	<b>18,038</b>	5,885	<b>1,365</b>	445
Investments	<b>16,218</b>	5,491	<b>1,227</b>	415
Borrowings	<b>1,415</b>	394	<b>107</b>	30
Loans and receivable	<b>107</b>	-	<b>8</b>	-
Deposits	<b>299</b>	-	<b>23</b>	-
Change in fair value of hedged instruments recognised in profit and loss account	<b>(17,499)</b>	(6,027)	<b>(1,324)</b>	(456)

The Bank has computed the Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 39 thousand ( \*INR 3 million) and USD 45 thousand ( \*INR 3 million) respectively. The probability of defaults (PD) used for computation of CVA/DVA are in line with the PDs used for collective provisioning at March 31, 2020. The loss given default (LGD) of 45% is used for computation (except for real estate transactions) based on Basel guidelines for credit risk capital charge computation under foundation IRB approach for senior unsecured claims. The CVA for real estate transactions is calculated based on scalar adjusted expected loss.

#### Change in cash flow hedge accounting:

During the year the Bank entered into a cash flow hedge to hedge interest rate risk. As at March 31, 2020, the notional amounts of interest rate swaps designated as cash flow hedge was USD 25 million ( \*INR 1,892 million) (2019:USD Nil) and these contract had a net negative fair value of USD 0.29 million ( \*INR 23 million) (2019:Nil).

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Change in fair value of hedged items	289	-	22	-
Borrowings	289	-	22	-
Change in fair value of hedged instruments	<b>(289)</b>	-	<b>(22)</b>	-

#### Principal amounts of derivative financial instruments

As at March 31, 2020

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	72,982	1,286,815	15,329	33,972
Interest rate	497,254	1,203,637	18,635	39,259
<b>Total</b>	<b>570,236</b>	<b>2,490,452</b>	<b>33,964</b>	<b>73,231</b>

As at March 31, 2020

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	5,522	97,367	1,159	2,570
Interest rate	37,625	91,073	1,410	2,971
<b>Total</b>	<b>43,147</b>	<b>188,440</b>	<b>2,569</b>	<b>5,541</b>

\* INR figures are unaudited

## Principal amounts of derivative financial instruments

As at March 31, 2019

USD 000s

Instrument	Non-trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value <sup>#</sup>
Foreign exchange & Cross currency interest rate swaps	72,982	1,587,566	21,327	9,077
Interest rate	447,732	732,505	7,932	10,807
<b>Total</b>	<b>520,714</b>	<b>2,320,071</b>	<b>29,259</b>	<b>19,884</b>

As at March 31, 2019

INR million\*

Instrument	Non-trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value <sup>#</sup>
Foreign exchange & Cross currency interest rate swaps	5,522	120,123	1,614	687
Interest rate	33,878	55,425	600	818
<b>Total</b>	<b>39,400</b>	<b>175,548</b>	<b>2,214</b>	<b>1,505</b>

<sup>#</sup>excludes Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 6 thousand (2019: USD 34 thousand ( \*INR 3 million).

## Derivative financial instruments by valuation method

As at March 31, 2020

USD 000s

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value <sup>#</sup>
<b>Level 1</b>	<b>55</b>	<b>148</b>		
<b>Level 2</b>	<b>15,274</b>	<b>33,822</b>	<b>18,635</b>	<b>39,259</b>
<b>Level 3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>15,329</b>	<b>33,970</b>	<b>18,635</b>	<b>39,259</b>

As at March 31, 2020

INR million\*

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value <sup>#</sup>
<b>Level 1</b>	<b>4</b>	<b>11</b>	<b>-</b>	<b>-</b>
<b>Level 2</b>	<b>1,155</b>	<b>2,559</b>	<b>1,410</b>	<b>2,971</b>
<b>Level 3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,159</b>	<b>2,570</b>	<b>1,410</b>	<b>2,971</b>

\* INR figures are unaudited

As at March 31, 2019

USD 000s

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value <sup>#</sup>
Level 1	559	216	-	-
Level 2	20,768	8,861	7,932	10,807
Level 3	-	-	-	-
<b>Total</b>	<b>21,327</b>	<b>9,077</b>	<b>7,932</b>	<b>10,807</b>

As at March 31, 2019

INR million\*

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value <sup>#</sup>
Level 1	42	16	-	-
Level 2	1,571	670	600	818
Level 3	-	-	-	-
<b>Total</b>	<b>1,613</b>	<b>686</b>	<b>600</b>	<b>818</b>

<sup>#</sup>excludes Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 6 thousand (2019: USD 34 thousand ( \*INR 3 million).

## IBOR reform

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. Many uncertainties remain but the roadmap to replacement is becoming clearer. Interest rate benchmarks including, among others, the London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR), the Euro Overnight Index Average (EONIA) and certain other Interbank Offered Rates (IBORs) are being reformed. The Bank formed a Steering Committee chaired by the Head of Corporate Banking and Legal and attended by the executive management with regular meetings to monitor and discuss the developments related to IBOR reform.

As at March 31, 2020, the Bank has adopted the phase 1 amendments to IFRS9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019. The amendments have been adopted as at March 31, 2020 to hedging relationships. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The following table summarises the significant hedge accounting exposures impacted by the IBOR reform as at March 31, 2020,

USD 000s

Current benchmark rate	Expected convergence to RFR	Nominal amount of hedged items directly impacted by IBOR reform	Nominal amount of hedging instruments directly impacted by IBOR reform
USD LIBOR / Effective Federal Funds Rate (EFFR)	Secured Overnight Financing Rate (SOFR)	536,710	539,509
<b>Total IBOR Notionals</b>		<b>536,710</b>	<b>539,509</b>

INR million\*

Current benchmark rate	Expected convergence to RFR	Nominal amount of hedged items directly impacted by IBOR reform	Nominal amount of hedging instruments directly impacted by IBOR reform
USD LIBOR / Effective Federal Funds Rate (EFFR)	Secured Overnight Financing Rate (SOFR)	40,609	40,821
<b>Total IBOR Notionals</b>		40,609	40,821

## 42 Assets and liabilities denominated in foreign currency

	March 31, 2020 USD 000s	March 31, 2019 USD 000s	March 31, 2020 INR million*	March 31, 2019 INR million*
Denominated in US Dollars	1,629,392	1,807,871	123,388	136,793
Denominated in Sterling	1,258,743	1,226,844	95,243	92,829
Denominated in other currencies	652,549	805,445	49,375	60,944
<b>Total assets</b>	<b>3,540,684</b>	<b>3,840,160</b>	<b>267,906</b>	<b>290,566</b>
Denominated in US Dollars	1,269,361	1,468,615	96,046	111,123
Denominated in Sterling	1,852,437	1,907,565	140,165	144,336
Denominated in other currencies	418,886	463,980	31,695	35,107
<b>Total liabilities</b>	<b>3,540,684</b>	<b>3,840,160</b>	<b>267,906</b>	<b>290,566</b>

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, 2020 was USD 4.1 million (\*INR 309 million) (2019: USD 1.8 million; \*INR 139 million).

## 43 Post balance sheet events

There have been no material events after the balance sheet date up until the date of signing these financial statements which would require disclosure or adjustments to the March 31, 2020 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

\* INR figures are unaudited