BASEL II - PILLAR 3 DISCLOSURES

for the year ending

December 31, 2012

BASEL II - PILLAR 3 DISCLOSURES

Index

Page

I. Background....3

II. Basis of Disclosures....3

1. Scope of Application of Pillar 3 Requirements....3

2. Basis of Measurement....3

3. Functional and Presentation Currency....3

4. Frequency of Disclosures....4

5. Location of Disclosures....4

6. Limitation of Disclosures....4

III. Capital Structure....4

IV. Capital Adequacy....6

1. Approaches....6

2. Pillar 1 Regulatory Capital Requirement....7

3. Credit Risk....8

a) Credit Risk Management Policy....8
b) Credit Risk Mitigation....12
c) Counterparty Credit Risk....13
d) Impairment....14
e) Securitization....19

4. Operational Risk....21

5. Interest Rate Risk....22

V. Remuneration Process Disclosure....23

1. Governance & Board Involvement....23

2. Performance and Pay....23

3. Design and Structure of Compensation....24

4. Deferral of Variable Component Including Risk Adjustments....24

BASEL II - PILLAR 3 DISCLOSURES

I. Background

ICICI Bank Canada (the "Bank") is a chartered bank, incorporated and domiciled in Canada. It is a wholly owned subsidiary of ICICI Bank Limited (the "Parent Bank") and regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). The Bank has adopted the Capital Adequacy Requirements ("CAR") guideline issued by OSFI under Basel II with effect from January 1, 2008. The Basel II framework consists of the following three-mutually reinforcing pillars:

- Pillar 1: Minimum capital requirements for credit risk, market risk and operational risk
- Pillar 2: Supervisory review of capital adequacy
- Pillar 3: Market discipline.

Market discipline (Pillar 3) comprises disclosures on the capital adequacy and risk management framework of the Bank. There are no entities that are required to be consolidated with the Bank or require deduction treatment.

This document sets out the Pillar 3 disclosure requirements and is in addition to the consolidated Basel II – Pillar 3 Disclosures made by the Parent Bank.

II. Basis of Disclosures

1. Scope of Application of Pillar 3 Requirements

The Pillar 3 disclosures of the Bank have been prepared in accordance with *International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version (the Basel II framework)* issued by the Basel Committee on Banking Supervision ("BCBS") in June 2006. Subsequently BCBS issued *Enhancements to the Basel II Framework* in July 2009 and *Revisions to the Basel II Market Risk Framework* in February 2011 followed by *Pillar 3 Disclosure Requirements for Remuneration* in July 2011. The third pillar of this framework describes the disclosure requirements for institutions subject to the Basel Accord, which in Canada includes banks, bank holding companies and federally regulated trust and loan companies (the "institutions").

2. Basis of Measurement

The Pillar 3 disclosures have been prepared in accordance with the OSFI's disclosure requirements issued from time to time.

3. Functional and Presentation Currency

The Pillar 3 disclosures are presented in Canadian currency, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

4. Frequency of Disclosures

The Pillar 3 disclosures are made on an annual basis and published after the audit of the year end financial statements. In addition, quantitative disclosures on regulatory capital ratios are published on a quarterly basis.

5. Location of Disclosures

The Pillar 3 disclosures are located under the "Regulatory Disclosures" link under the ICICI Bank Info section on the home page of the Bank's website www.icicibank.ca. The Parent Bank's consolidated disclosures for FY2012 are available at http://www.icicibank.com/aboutus/invest-disclosure.html.

6. Limitation of Disclosures

The Pillar 3 disclosures are unaudited and have been prepared purely for complying with OSFI's disclosure requirements explaining the basis on which the Bank has prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statements and may not be relied upon in making any judgment or investment on the Bank or the Parent Bank.

III. Capital Structure

The Bank's total regulatory capital comprises Tier 1 and Tier 2 capital subject to regulatory deductions, if any. Tier 1 capital primarily consists of core and permanent components of capital and includes common shares, additional paid in capital, reserves and surplus and preferred shares. Tier 2 consists of subordinated notes.

The Bank's Capital Management Policy, which is reviewed and approved annually by the Board of Directors, governs the quantity and quality of capital to be maintained by the Bank. The objective of this policy is to maintain capital at levels that meet or exceed regulatory capital requirements, so that the level of capital is appropriate for business requirements.

The Bank estimates the regulatory capital requirements in line with the CAR Guideline 'A' issued by the OSFI. Capital is provided for the purpose of unforeseen and unexpected events based on the risk assessment for each of the underlying asset classes in the Bank's portfolio. Further, in line with industry practice, the Bank acknowledges that capital is not the only mitigating factor for all unforeseen events and contingencies and, therefore, appropriate risk management and governance practices are in place to actively monitor the risks the Bank is exposed to in the course of carrying on its business.

The Bank is in compliance with OSFI's capital adequacy requirements. The Senior Management of the Bank reviews the capital adequacy ratios on a monthly basis. In addition, the capital adequacy position and the risk weighted assets are reported to the Board of Directors on a quarterly basis.

The Bank is authorized to issue an unlimited number of common shares without par value and an unlimited number of non-voting preferred shares without par value. The OSFI must approve any plan to redeem the Bank's capital for cash.

The Series A preferred shares of $10,000 are not redeemable at the option of the Bank prior to 10 years following their issuance and bear a fixed, non-cumulative cash dividend of 1% per annum. The Series B

and Series C preferred shares of $12,732 and $15,000 each are not redeemable at the option of the Bank prior to 5 years following their issuance and bear a fixed, non-cumulative cash dividend of 7% per annum. The Series D and Series E preferred shares of $25,000 and $30,000 each are not redeemable at the option of the Bank prior to 5 years following their issuance and bear a fixed, non-cumulative cash dividend of 7.25% per annum. The terms and conditions of the preferred shares require the Bank to gross up the dividend payment for any withholding taxes so that the net payment is equal to the total amount of the dividend declared, unless waived by the shareholders.

The redemption of these preferred shares would require the payment in cash of the value of the preferred shares, together with declared and unpaid dividends up to the redemption date. The holders of these preferred shares are entitled to annual, non-cumulative preferential cash dividends. The Bank is prohibited from declaring dividends on its preferred or common shares when it would be, as a result of paying such a dividend, in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the Bank Act (Canada).

The Bank issued a subordinated note to its affiliate, ICICI Bank UK PLC, in the amount of $25,000 on January 31, 2007. The note bears interest at the rate of LIBOR plus 2.5% per annum, payable quarterly in arrears, until April 30, 2012, and at the rate of LIBOR plus 3.0% per annum thereafter, until maturity on April 30, 2017.

The Bank issued a subordinated note to ICICI Bank Limited (Bahrain branch) in the amount of $25,000 on March 31, 2008. As per the original terms, interest was payable at the rate of LIBOR plus 4.6% per annum, quarterly in arrears, until March 31, 2013, and at the rate of LIBOR plus 5.0% per annum thereafter, until maturity on March 31, 2018. During the current year, the interest step-up clause effective as at the end of the first five years on the note was eliminated and the interest rate for the entire tenor of the note has been revised to LIBOR plus 4.6% per annum.

The Bank issued a subordinated note to ICICI Bank Limited (Bahrain branch) in the amount of $25,000 on September 23, 2008. As per the original terms, interest was payable at the rate of LIBOR plus 4.6% per annum, quarterly in arrears, until September 23, 2013, and at the rate of LIBOR plus 5.0% per annum thereafter, until maturity on September 23, 2018. During the current year, the interest step-up clause effective as at the end of the first five years on the note was eliminated and the interest rate for the entire tenor of the note has been revised to LIBOR plus 4.6% per annum.

The terms and conditions of all these subordinated notes require the Bank to gross up the interest payment for any withholding taxes so that the net payment is equal to the total amount of the interest due.

BASEL II - PILLAR 3 DISCLOSURES

The following table summarizes the amount and composition of the Bank's regulatory capital and capital ratios as at December 31, 2012:

Regulatory Capital	**Amount**
Tier 1 Capital	
Common shares	839,500
Additional paid-in capital	2,442
Retained earnings	67,400
Preferred share capital	92,732
	1,002,074
Deductions from Tier 1 capital	
50/50 deduction in respect of unrated securitization exposures	6,788
Total deductions from Tier 1 capital	**6,788**
Adjusted Net Tier 1 capital	**995,286**
Tier 2 Capital	
Subordinated notes	70,000
(net of amortization for capital adequacy purposes, if any)	
Gross Tier 2 capital	**70,000**
Deductions from Tier 2 capital	
50/50 deduction in respect of unrated securitization exposures	6,788
Total deductions from Tier 2 capital	**6,788**
Adjusted Net Tier 2 capital	**63,212**
Total Eligible Adjusted Net Tier 1 and Tier 2 Capital	**1,058,498**

IV. Capital Adequacy

1. Approaches

The Bank determines its Pillar 1 regulatory capital requirement based on the following approaches:

a) Credit risk - Standardized Approach

b) Market risk - The Bank did not meet the threshold criteria defined in the CAR Guideline A-1 for market risk framework as at December 31, 2012 and thus the market risk framework was not applicable. Also as required by OSFI's CAR Guideline, the trading book exposures have been included as part of the banking book exposures.

c) Operational risk – Basic Indicator Approach

The amount and composition of the Bank's capital requirement is determined by assessing the minimum capital requirement under Pillar 1 based upon the CAR guideline 'A', the impact of stress and scenario tests, the Bank's risk appetite and the capital requirement that is consistent with the Bank's business plan.

Further, the Tier 1 and Total capital ratios are computed by dividing Tier 1 and total capital by total risk weighted assets determined under Pillar 1 as per OSFI's CAR Guideline "A". The Bank also calculates its Asset-to-Capital Multiple ("ACM") by dividing gross adjusted On Balance Sheet assets and selected Off Balance Sheet assets, net of capital deduction by the total regulatory capital. OSFI prescribes the regulatory capital ratios and ACM for Deposit Taking Institutions. Currently, the industry capital ratio targets are 10% and 7% for total capital and Tier 1 capital ratios respectively.

Approaches to assessing capital adequacy

The Bank, in line with the regulatory capital requirements of OSFI and the Parent Bank's regulator, the Reserve Bank of India ("RBI"), has instituted an Internal Capital Adequacy Assessment Process ("ICAAP") which is used to estimate the capital requirements in line with the risk appetite of the Bank. The ICAAP is approved by the Risk Committee ("RC") of the Board of Directors.

The Bank's capital management framework includes a comprehensive ICAAP conducted annually which determines the adequate level of capitalization for the Bank to meet regulatory norms as well as current and future business needs, including under stress scenarios. The ICAAP encompasses capital planning for a three-year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Based on the Board-approved stress testing framework, the Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The business and capital plans and the stress testing results of the group entities are integrated into the ICAAP.

Based on the ICAAP, the Bank determines the level of capital that needs to be maintained by considering the following in an integrated manner:

- Bank's strategic focus, business plan and growth objectives;
- Regulatory capital requirements as per the OSFI guidelines; and
- Assessment of material risks and impact of stress testing.

Monitoring and reporting

The Board of Directors of the Bank maintains an active oversight over the Bank's capital adequacy levels. An analysis of the capital adequacy position and the risk weighted assets are reported to the Board of Directors on a quarterly basis. Further, the ICAAP also serves as a mechanism for the Board to assess and monitor the Bank's capital adequacy position over a three year time horizon.

2. Pillar 1 Regulatory Capital Requirement

The following table summarizes the Bank's Pillar 1 credit risk weighted assets by each of the standardized exposure classes as at December 31, 2012:

BASEL II - PILLAR 3 DISCLOSURES

Standardized approach – credit risk asset classes	**Risk-weighted assets**
Banking Book (excl. securitizations)	
Corporate	2,626,388
Sovereign	-
Bank	191,272
Retail Residential Mortgages	36,234
Other Retail excl. SBE	457
SBE treated as Other Retail	-
Equity	3,680
Trading Book	-
Securitizations	746
Other credit risk-weighted assets	42,297
Total adjusted risk-weighted assets for credit risk	**2,901,074**
Standardized Approach	**Risk-weighted assets**
Market Risk	-
Basic Indicator Approach	**Risk-weighted assets**
Operational Risk	**163,125**
Total adjusted risk weighted assets	**3,064,199**

The following table summarizes the Bank's regulatory capital ratios and ACM as at December 31, 2012:

Regulatory capital ratios	
Tier 1 Capital (%)	32.5%
Total Capital (%)	34.5%
Assets to capital multiple	4.9

3. Credit Risk

a) Credit Risk Management Policy

Credit risk is the risk that a bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations and arises principally from the bank's loans and advances to customers and other banks, and investment in debt securities. The Bank's Credit and Recovery Policy ("CRP"), which is approved by its Board, describes the principles which underlie and drive the Bank's approach to credit risk management together with the systems and processes through which it is implemented and administered. The CRP aims to maximize the Bank's risk-adjusted rate of return while maintaining the Bank's credit risk exposure within limits and parameters as approved by the Board. Additionally the Bank has implemented a Residential Mortgage Underwriting Policy ("RMUP"). This policy provides guidelines in respect of the manner in which lending and recovery activities of residential mortgage business shall be conducted by the Bank. The principles underlying overall credit risk management are covered in the CRP while the RMUP applies specifically only to the residential mortgage underwriting business.

BASEL II - PILLAR 3 DISCLOSURES

The Bank takes a two-tier approach to the assessment of credit risk: initially, by a commercial lending officer proposing the transaction, followed by a credit officer independently assessing the same. The CRP lays down a structured and standardized credit approval process, which includes a well-established procedure of independent and comprehensive credit risk assessment and the assignment of an internal risk rating to the borrower. The risk rating is a critical input for the credit approval process and is used as an input in arriving at the credit risk spread, and also subsequently, in arriving at the loan loss allowance against the credit.

Credit proposals are approved by either the RC of the Board of Directors or the Management Credit Committee ("MCC") based on, inter alia, the amount and internal risk rating of the facility. All credit proposals are approved by the MCC before being recommended to the RC by the Chief Risk Officer ("CRO"). The credit middle office function is responsible for credit administration, which includes monitoring compliance with the terms and conditions for credit facilities prior to disbursement. The group also reviews the completeness of documentation and creation of security for assets financed and post-disbursement monitoring as per stipulated terms and conditions.

The following table summarizes the Bank's total gross credit risk exposure (credit-equivalent amount for OTC derivative exposures) and risk-weighted assets ("RWA") as at December 31, 2012:

Portfolio	Drawn	Undrawn Commitments[1]	OTC Derivatives	Other Off Balance Sheet Items[1]	Total	RWA
Corporate	2,376,797	505,078	6,997	28,136	2,917,008	2,626,388
Sovereign	676,014	-	-	-	676,014	-
Bank	210,813	-	29,145	-	239,958	191,272
Total Institutional Credit Exposures	**3,263,624**	**505,078**	**36,142**	**28,136**	**3,832,980**	**2,817,660**
Residential Mortgages	1,951,245	-	-	-	1,951,245	36,234
Other Retail (excl. SMEs)	67,029	535	-	-	67,564	457
Retail SME	-	-	-	-	-	-
Total Retail Credit Exposures	**2,018,274**	**535**	**-**	**-**	**2,018,809**	**36,691**
Equity Exposures	**3,680**	**-**	**-**	**-**	**3,680**	**3,680**
Securitization Exposures	**17,306**	**-**	**-**	**-**	**17,306**	**746**
Other credit risk-weighted assets	**-**	**-**	**-**	**-**	**-**	**42,297**
Total Gross Credit Exposures	**5,302,884**	**505,613**	**36,142**	**28,136**	**5,872,775**	**2,901,074**

1. Undrawn commitments and other Off B/S items have been included at notional principal value.
Note: Gross credit exposure is gross of all allowances for credit loss.

BASEL II - PILLAR 3 DISCLOSURES

The following table summarizes the Bank's total gross credit exposures (credit-equivalent amount for OTC derivative exposures) by risk weights as at December 31, 2012:

Exposure Category	Drawn	Undrawn Commitments[1]	OTC Derivatives	Other Off Balance Sheet Items[1]	Total
0% risk weight	2,517,070	-	-	-	2,517,070
More than 0% but less than 100% risk weight	145,315	535	23,270	-	169,120
100% risk weight	2,616,572	505,078	12,872	27,441	3,161,963
More than 100% risk weight	10,352	-	-	695	11,047
Deducted from regulatory capital	13,575	-	-	-	13,575
Total Gross Credit Exposures	**5,302,884**	**505,613**	**36,142**	**28,136**	**5,872,775**

1. Undrawn commitments and other Off B/S items have been included at notional principal value.

The following table summarizes the Bank's total net credit exposures after credit risk mitigation ("CRM") by risk weights as at December 31, 2012:

Exposure Category	Rated	Unrated	Total
0% risk weight	2,517,070	-	2,517,070
More than 0% but Less than 100% risk weight	64,617	104,503	169,120
100% risk weight	179,072	2,898,764	3,077,836
More than 100% risk weight	-	9,047	9,047
Deducted from regulatory capital	-	13,575	13,575
Total Net Credit Exposures after CRM	**2,760,759**	**3,025,889**	**5,786,648**

Note: Net credit exposure is gross credit exposure (credit equivalent amount for Off B/S exposures) less specific allowances and eligible financial collateral. It excludes eligible guarantees/credit derivatives of CAD 6,702.

BASEL II - PILLAR 3 DISCLOSURES

The following table summarizes the Bank's total gross credit exposures by geography based on the location of ultimate risk as at December 31, 2012:

Category	Canada	India	Others	Total
Deposit with Bank	4,101	69,251	7,204	80,556
Securities	1,103,225	3,479	-	1,106,704
Loans	3,063,514	935,002	119,148	4,117,664
Undrawn Commitments	491,922	-	13,691	505,613
OTC Derivatives	15,383	5,875	14,884	36,142
Other Off Balance Sheet Items	12,336	15,800	-	28,136
Total Gross Credit Exposures	**4,690,481**	**1,029,407**	**154,927**	**5,874,815**

The following table summarizes the Bank's industry-wise distribution of total gross credit exposures as at December 31, 2012:

Category	Deposit with Bank	Securities	Loans	Undrawn Commitments[1]	OTC Derivatives	Other Off B/S Items[1]	Total
Agriculture			4	12,143			12,147
Capital Goods			286,497	25,000	5,433		316,930
Communications		39,484	68,988	28,691	658		137,821
Energy		82,912	396,025	184,818		3,126	666,881
Financial Services	80,556		161,649	1,008	29,146	15,801	288,160
Government & Sovereign		676,114					676,114
Life Sciences			212,673	7,043			219,716
Manufacturing		535	71,890				72,425
Metal & Mining		157,608	165,006	24,245			346,859
Real Estate			95,424	350		695	96,469
Resources & Basic Material		10,133	26,597	37,421			74,151
Retail & Wholesale		17,969	70,089	68,061	183		156,302
Retail Finance[2]			2,017,878	535			2,018,413
Services			247,929	12,438	163		260,530
Technology			11,939				11,939
Transportation		101,164	71,354	103,860	559		276,937
Others		20,785	213,722			8,514	243,021
Total Gross Credit Exposures	**80,556**	**1,106,704**	**4,117,664**	**505,613**	**36,142**	**28,136**	**5,874,815**

1. Undrawn commitments and other Off B/S items have been included at notional principal value.
2. Retail Finance includes residential mortgages and personal loans.

The following table summarizes the Bank's maturity pattern of assets as at December 31, 2012:

Maturity buckets	Cash	Balances with banks & money at call and short notice	Investments	Loan & Advances, net of allowances for credit losses	Fixed assets	Other assets	Total assets
Next day	2,636	12,903	676,014	2,649	-	2,078	696,280
2 to 7 days	-	-	2,429	264,671	-	34,165	301,265
8 to 14 days	-	19,898	-	38,084	-	2,223	60,205
15 to 28 days	-	27,857	-	95,921	-	16,242	140,020
29 days to 3 months	-	19,898	-	171,323	-	1,051	192,272
3 to 6 months	-	-	-	259,489	-	3,123	262,612
6 months to 1 year	-	-	-	424,726	-	4,909	429,635
1 to 3 years	-	-	23,312	1,170,870	-	4,352	1,198,534
3 to 5 years	-	-	250,425	1,441,308	-	-	1,691,733
Above 5 years	-	-	154,524	197,961	1,349	4,685	358,519
Total	**2,636**	**80,556**	**1,106,704**	**4,067,002**	**1,349**	**72,828**	**5,331,075**

b) Credit Risk Mitigation

Collateral management

The types of acceptable collateral are documented in the CRP. The main types of collateral obtained are as follows:

- For corporate/commercial lending, assets of the borrower/corporate guarantors, personal assets of the principals and/or pledge of equity interests, charge on equipment and current assets, hypothecation of movables. Generally, for commercial lending, the Bank also obtains guarantees from parent companies for loans to their subsidiaries;
- For retail lending, charge on personal assets, including real estate/property; and
- For residential mortgages, first/second mortgage charge in favor of the Bank, as well as insurance by Canada Mortgage and Housing Corporation ("CMHC") or approved private insurers.

All borrower accounts, including their ratings and underlying collateral, are reviewed at least on an annual basis or in a shorter interval if recommended by the CRO or the relevant sanctioning committee. Collateral is obtained when the loan is initially granted and is monitored periodically.

Credit risk mitigation techniques

OSFI guideline on CAR allows the following credit risk mitigants to be recognized for regulatory capital purposes:

- Eligible financial collaterals, which include cash (deposited with the Bank), and securities issued by Federal and Provincial Government
- Eligible guarantees/credit derivatives including for CMHC insured mortgages

The Bank reckons the permitted credit risk mitigants for obtaining capital relief through reduction in risk weighted assets only when the credit risk mitigant fulfills the conditions stipulated for eligibility by OSFI in its guidelines on CAR.

Concentrations within credit risk mitigation

The CAR guidelines, among its conditions for eligible credit risk mitigants, require that there should not be a material positive correlation between the credit quality of the counterparty and the value of the collateral being considered. Currently, the Bank does not have any concentration risk within credit risk mitigation.

The following table summarizes the portfolio covered by eligible financial collateral and guarantees/credit derivatives as at December 31, 2012:

Risk-weighted assets	**Eligible financial collateral**	**Eligible guarantees/ credit derivatives**
Corporate	1,968	
Sovereign		
Bank		
Total Institutional Credit Exposures	**1,968**	**-**
Residential Mortgages		6,702
Other Retail (excl. SMEs)	66,527	
Retail SME		
Total Retail Credit Exposures	**66,527**	**6,702**
Total Gross Credit Exposures	**68,495**	**6,702**

External ratings

The Bank uses external ratings of recognized rating agencies identified in the OSFI's CAR Guidelines for its sovereign, bank and securitization exposures. Accordingly, ratings from external rating agencies S&P, Fitch, Moody's and DBRS are used for capital adequacy purposes. The Bank also uses the standard mapping published in the CAR guidelines.

c) Counterparty Credit Risk

Counterparty credit risk ("CCR") in the context of Pillar 3 disclosure is the risk that the counterparty to a derivative transaction posted to either the Banking Book or Trading Book could default before the final settlement of the transaction's cash flows. The Bank uses the Current Exposure Method to measure credit equivalent amount of counterparty credit exposures. Current replacement cost is the positive fair value of

outstanding derivative financial instruments, which represents the Bank's derivative credit exposure. Credit equivalent amount is the current replacement cost for favorable contracts plus an amount for future credit exposure associated with the potential for future changes in currency rates for the contracts. Future credit exposure is calculated by multiplying notional principal amount with add-on factors prescribed by OSFI. Further, the risk-weighted amounts represent the credit equivalent amount weighted according to the creditworthiness of the counterparty, using factors prescribed by OSFI.

The following table summarizes the notional principal values of the derivative instruments along with the gross positive and gross negative fair value, credit equivalent amount and risk-weighted assets as at December 31, 2012:

	Notional Principal Amount	Gross Positive Fair Value	Gross Negative Fair Value	Credit Equivalent Amount	Risk-weighted Assets
Forward foreign exchange contracts	65,826	54	1,318	712	708
Foreign currency swaps	1,490,790	13,006	12,746	27,915	9,837
Interest rate swaps	490,629	5,626	5,573	7,515	6,981
Total	**2,047,245**	**18,686**	**19,637**	**36,142**	**17,526**

d) Impairment

At each reporting date, the Bank assesses whether there is objective evidence that loans are impaired. Loans are classified as impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the loan (a "loss event") and that loss event (or events) has/have an impact on the estimated future cash flows of the loan that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganization; and
(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, although the decrease cannot yet be identified with the individual loans in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the loans in the portfolio.

An allowance for impairment is maintained at a level that Management considers adequate to absorb identified credit-related losses, as well as losses that have occurred but have not yet been identified.

To ensure that any impairment is identified on a timely basis, the Bank's loans are reviewed regularly for their credit quality, taking into consideration all readily available information. When substantive

information suggests any significant deterioration in the credit quality of a loan or a portfolio of loans, the credit or credits are reviewed immediately, even if a regularly scheduled review is not due.

The Bank considers evidence of impairment for loans and advances at both an individual asset and collective level. All individually significant loans and advances are assessed for impairment on an individual basis. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics. In assessing collective impairment, the Bank uses historical trends of the probability of default, and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling.

Default rates and loss rates are benchmarked against actual outcomes to ensure that they remain appropriate. Impairment losses on loans and advances are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized although an allowance may be established to the extent it is not enough to be recovered. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. The Bank writes off loans and advances when they are determined to be uncollectible.

Loans for which interest and principal is contractually past due 90 days are generally recognized as impaired, unless Management determines that loan as fully secured, in the process of collection, and the collection efforts are reasonably expected to result in either payment of the loan or restoring it to a current status within 180 days from the date payment has become contractually in arrears. An exception to these conditions is made for not more than 365 days from the date a loan is contractually in arrears where the loan is guaranteed or insured by a Canadian Government (federal or provincial) or a Canadian Government agency, the validity of the claim is not in dispute and, as a consequence, the lender has reasonable assurance of collection of the full principal and interest, including full compensation for any overdue payments calculated at the loan's contractual interest rate.

The following table shows the collective allowances by industry as at December 31, 2012:

Industries	**Collective Allowance**
Agriculture	-
Capital Goods	10,058
Communications	834
Energy	2,173
Financial Services	51
Government & Sovereign	-
Life Sciences	3,341
Manufacturing	730
Metal & Mining	630
Real Estate	136
Resources & Basic Material	397

Industries	Collective Allowance
Retail & Wholesale	85
Retail Finance	155
Services	603
Technology	469
Transportation	607
Others	12,761
Total	**33,030**

The following table shows the movement of collective allowances during the year ended December 31, 2012:

	Amount
Opening Balance (January 1, 2012)	26,448
Provisions made during the year, net	6,582
Closing balance (December 31, 2012)	**33,030**

The Bank follows a two-tier risk rating system for credits, consisting of a borrower/obligor risk rating ("BRR") and a transaction risk rating. Borrowers/obligors are risk-rated using a fourteen grade classification system to reflect the probability of default and the transaction risk rating is then determined by adjusting the BRR to reflect collateral assessment as per the loss given default framework and transaction risk rating framework.

Credits with a BRR 1 through 4C are considered "Satisfactory", BRR 5 considered "Especially mentioned" and BRR 6 treated as "Substandard". An exposure rated BRR 7 is closely monitored or "Doubtful". Exposures rated BRR 8 are internally classified as "Default and impaired" where losses are identifiable on an individual basis with a specific allowance established against each exposure.

The following table shows the amount of "Doubtful" or "Default and impaired" loans by loan type as at December 31, 2012:

	Gross Outstanding Amount	Specific Allowance[#]	Net Amount
Non-mortgage loans			
To individuals for non-business purposes	-	-	-
Other	74,830	17,614	57,216
Mortgage loans			
Residential	267	-	267
Non-residential	18	18	-
Total	**75,115**	**17,632**	**57,483**

Note: Excludes non-fund exposures of CAD 695('000).
[#] Includes IFRS requirement of specific allowances held on account of interest accruals on "doubtful" or "default and impaired" loans.

BASEL II - PILLAR 3 DISCLOSURES

The following table shows the net amount of "Doubtful" or "Default and impaired" loans by geography based on the location of ultimate risk as at December 31, 2012:

	Canada	India	Others	Total
Gross Outstanding Amount	16,035	59,080	-	75,115
Specific Allowance	6,666#	9,331#	1,635#	17,632
Net Amount	**9,369**	**49,749**	**(1,635)**	**57,483**

Note: Excludes non-fund exposures of CAD 695('000).
Includes IFRS requirement of specific allowances held on account of interest accruals on "doubtful" or "default and impaired" loans.

The following table shows the amount of "Doubtful" or "Default and impaired" loans by industry as at December 31, 2012:

Industries	Gross Outstanding Amount	Specific Allowance	Net Amount
Agriculture	-	-	-
Capital Goods	-	-	-
Communications	-	-	-
Energy	-	-	-
Financial Services	-	-	-
Government & Sovereign	-	-	-
Life Sciences	39,964	2,991	36,973
Manufacturing	-	-	-
Metal & Mining	10,944	5,017	5,927
Real Estate	15,797	6,696	9,101
Resources & Basic Material	8,143	135	8,008
Retail & Wholesale	-	-	-
Retail Finance	267	-	267
Services	-	-	-
Technology	-	-	-
Transportation	-	-	-
Others	-	2,793	(2,793)#
Total	**75,115**	**17,632**	**57,483**

Note: Excludes non-fund exposures of CAD 695('000).
Includes IFRS requirement of specific allowances held on account of interest accruals on "doubtful" or "default and impaired" loans.

BASEL II - PILLAR 3 DISCLOSURES

The following table shows the movement in "Doubtful" or "Default and impaired" loans for the year ended December 31, 2012:

Gross Loans	**Amount**
Opening Balance (January 1, 2012)	393,422
Additions during the year	10,760
Reductions during the year	(329,067)
Closing balance (December 31, 2012)	**75,115**
Net Loans	**Amount**
Opening Balance (January 1, 2012)	379,828
Additions during the year	9,123
Reductions during the year	(331,468)
Closing balance (December 31, 2012)	**57,483**

Note: Excludes non-fund exposures of CAD 695('000).
Net "Doubtful" or "Default and impaired" loans are gross "Doubtful" or "Default and impaired" loans less specific allowances

The following table shows the movement of specific allowances on "Default and impaired" loans for the year ended December 31, 2012:

	Amount
Opening Balance (January 1, 2012)	13,594
Provisions made during the year	4,262
Write-off during the year	-
Write-back of excess provisions during the year	(224)
Closing balance (December 31, 2012)	**17,632**

The following table shows the industry-wise specific provisions accounted in the statements of comprehensive income for the year ended December 31, 2012:

Industries	**Amount**
Agriculture	-
Capital Goods	-
Communications	-
Energy	-
Financial Services	-
Government & Sovereign	-
Life Sciences	-
Manufacturing	-
Metal & Mining	224
Real Estate	1,883
Resources & Basic Material	1,217
Retail & Wholesale	-
Retail Finance	-

Industries	Amount
Services	-
Technology	-
Transportation	-
Others	714
Total	**4,038**

The following table shows the amount of non performing investments (“NPI”) as at December 31, 2012:

	Amount
Gross NPI	15,000
Less: Provisions	(1,425)
Net Book Value of NPIs	**13,575**

e) Securitization

The Bank’s primary objective of securitization activities is to increase the efficiency of capital and enhance the return on capital employed by diversifying the sources of funding.

The Bank has entered into securitization arrangements in respect of its originated and purchased (originated by third parties) mortgages, to issue National Housing Act (“NHA”) – MBS and participates in Canada Mortgage Bonds (“CMB”) program as a seller. The NHA MBS are backed by pools of amortizing residential mortgages insured by the Canada Mortgage and Housing Corporation (“CMHC”) or approved third party insurers. The CMB, introduced by CMHC, is a guaranteed, semi-annual coupon, bullet-maturity bond. CMB are issued by a special purpose trust, known as the “Canada Housing Trust”.

For mortgages securitized and sold into the CMB program, the Bank retains substantially all the risks and rewards, comprising primarily prepayment risk related to ownership of these mortgages and hence, these mortgage securitizations do not qualify for de-recognition accounting under International Accounting Standard (“IAS 39”), Financial Instruments: Recognition and Measurement (“IAS 39”). For mortgages that are securitized and the resulting MBS that are sold outside of the CMB program, the Bank has determined that it neither transfers nor retains substantially all the risks and rewards associated with the ownership of these mortgages. However, the Bank retains control over these mortgages and hence, it continues to recognize the mortgages securitized. For all mortgage securitizations, the amounts received through securitization and sale are recognized as “Secured borrowings” and no gain on sale is recognized.

As required under the CMB program, the Bank, as an issuer, has undertaken to remit monthly to the Central Payor and Transfer Agent (the “CPTA”) the payments of principal and interest accrued and due on the mortgage loans in the pools. The Bank has also undertaken to make the payments to the CPTA on the due dates even if the corresponding amounts have not been received and collected by the Bank in respect of the pools.

The Bank did not securitize any of its assets except the residential insured mortgages under NHA-MBS and CMB programs as an originator during the year ended on December 31, 2012. However, such securitization is not subject to a securitization framework under the CAR guidelines. Accordingly, these securitized insured mortgages are risk-weighted as per the standardized approach for credit risk.

The Bank is also an investor in securitized debt instruments backed by financial assets originated by third parties. The Bank uses the standardized approach under the securitization framework for its securitization exposures as an investor. The Asset & Liability Committee ("ALCO") reviews the investments held in securitized debt instruments on a monthly basis.

Amount of assets intended to be securitized during the year in the banking book as at December 31, 2012:

	Amount
Amount of assets intended to be securitized within a year	1,225,500
Of which:	
Amount of assets originated within a year before securitization	1,075,000

Break-up of aggregate amount of securitization exposures retained or purchased by exposure type in the banking book as at December 31, 2012:

On-balance sheet	**Amount**
Vehicle / equipment loans	-
Home & home equity loans	-
Personal loans	-
Corporate loans	3,731
Mixed Asset	-
Total	**3,731**
Off-balance sheet	**Amount**
Vehicle / equipment loans	-
Home & home equity loans	-
Personal loans	-
Corporate loans	-
Mixed Asset	-
Total	**-**

Break-up of aggregate amount of securitization exposures retained or purchased by exposure type in the trading book as at December 31, 2012:

On-balance sheet	**Amount**
Home & home equity loans	-
Personal loans	-
Corporate loans	-
Mixed Asset	13,575
Total	**13,575**
Off-balance sheet	**Amount**
Vehicle / equipment loans	-

Home & home equity loans	-
Personal loans	-
Off-balance sheet	**Amount**
Vehicle / equipment loans	-
Corporate loans	-
Mixed Asset	-
Total	**-**

Break-up of securitization exposures deducted from capital by exposure type in the trading book as at December 31, 2012:

	Amount
Exposures deducted entirely from Tier-1 capital	
Vehicle / equipment loans	
Home & home equity loans	
Personal loans	
Corporate loans	
Mixed Asset	
Total	-
Credit enhancing interest only strips deducted from total capital	
Vehicle / equipment loans	
Home & home equity loans	
Personal loans	
Corporate loans	
Mixed Asset	
Total	-
Other exposures deducted from total capital	
Vehicle / equipment loans	
Home & home equity loans	
Personal loans	
Corporate loans	
Mixed Asset	13,575
Total	**13,575**

4. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank has developed and implemented an Operational Risk Management Policy, which covers the aspects pertaining to minimizing losses due to process failures, flaws in product designs that can expose

the Bank to losses due to fraud, impact of failures in technology/systems and continuity in the Bank's operations.

The Senior Management of the Bank is responsible for the establishment and maintenance of an adequate and effective system of internal controls, a measurement system for assessing the various risks of the Bank's activities, a system for relating risks to the Bank's capital level and appropriatemethods for monitoring compliance with laws, regulations, supervisory and internal policies. The Senior Management reports to the Board on these issues. The Bank has implemented its risk and control self-assessment approach to identify and ensure effective control of its operational risks.

To identify operational risks in new products/processes, all such proposals are approved by the Product and Process Approval Committee ("PAC"), comprising senior executives after obtaining inputs from the relevant groups and control functions in the Bank. All PAC proposals are internally rated by the Operational Risk Management Group ("ORMG"). ORMG performs the independent challenge process in all areas of operational risk. Independent challenge process at the time of PAC note review is documented in the PAC instructions.

The Bank has developed and implemented a Business Continuity Plan ("BCP"). This plan is designed to facilitate continuity in critical business operations in the event of a disaster or an emergency situation. The BCP has been formulated on the basis of a business impact analysis carried out for the individual groups involving identification of critical activities and determination of their recovery time objectives.

The Bank has outsourced certain activities in the interest of cost and process efficiencies, including mid-office operations for treasury and corporate banking, information technology, corporate operations and trade finance operations to the Parent, terms of which are governed through a master service level agreement ("SLA") and specific SLAs. All these activities are closely monitored under the framework of outsourcing risk with regular monitoring of SLA performance dashboards and any material shortfalls are taken up with the service provider and the same is reported to management and Board level committees.

The Bank has developed and implemented an Outsourcing Policy to mitigate outsourcing risks and ensure the application of a standardized approach for all material outsourcing arrangements entered into by the Bank. All proposed outsourcing arrangements are assessed for their criticality prior to outsourcing. For all such arrangements deemed to be critical, a detailed assessment is conducted and the proposal is approved by the Outsourcing Committee. The performance of each service provider is periodically reviewed and assessment reports are presented to the RC.

The Bank has adopted the Basic Indicator Approach in determining its operational risk capital requirement. The capital charge and the corresponding risk weighted assets for operational risk as at December 31, 2012 were CAD 13,050 and CAD 163,125 respectively.

5. Interest Rate Risk

Interest rate risk is defined as the exposure of a bank's financial condition to adverse movements in interest rates. Earnings from interest-sensitive investments and the overall value of the investment portfolio will be impacted by changes in interest rates. The Market Risk Management Policy ("MRMP") currently sets out the measurement process to include the use of repricing gap reports and estimation of the sensitivity of the Bank's net interest income to a 100 bps adverse change in the level of interest rates, defined as Earnings at Risk ("EaR"). The sum of EaR for the Bank over a 4-quarter horizon for an adverse

100 bps parallel shift in interest rates shall not exceed 5% or $20,000 (whichever is lower) of the Bank's current Tier 1 plus Tier 2 capital. At December 31, 2012, the actual limit utilization was 0.85% ($8,415).

Further, the Bank uses various measures, including Duration of Equity ("DoE"), which takes into consideration 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%. The Bank has set a maximum limit of (+/-) 5% of Tier 1 capital given a 100 bps change in interest rates and as at December 31, 2012, the actual DoE was 2.21 years, based on which the actual limit utilization was 2.21%.

The Head of Treasury is responsible for managing the interest rate risk of the Bank. It is subject to periodic review by ALCO and the RC of the Board of Directors.

V. Remuneration Process Disclosure

The Bank follows a conservative and comprehensive approach for Compensation Management.

1. Governance & Board Involvement

The Board Governance & Remuneration Committee ("BGRC") of the Bank is responsible for the overview of the Compensation processes, policies and practices. Further, the BGRC is also mandated with finalizing remuneration of all Management Committee members, including the President & CEO of the Bank.

The BGRC reviews and approves all compensation decisions of the Bank as submitted by the Human Resources Department. This is in line with current regulatory recommendations with regard to the BGRC's involvement in approving remuneration for directors and the members of the Bank's senior management.

The BGRC reviews the compensation strategy adopted by the Bank in context of regulatory environment and changing market dynamics at periodic intervals.

The BGRC is chaired by an independent Director and none of the members of the BGRC of the Bank holds any executive position with the Bank. The BGRC comprises members who chair the various control committees of the Bank including Risk and Audit.

2. Performance and Pay

The Bank follows the principles of a balanced scorecard in designing its performance management system. An appropriate focus is given to goal sheets to ensure a balance of financial goals with non-financial goals. The non-financial goals cover relevant areas of customer service, process improvement, adherence to both risk and compliance norms and employee capability building.

Staff engaged in the control functions including Compliance, Risk, Finance, Audit and others do not carry business profit targets in their respective goal sheets and hence, are compensated independently of the business profit achievements. Their compensation is dependent on achievement of key results in their respective domain.

Performance bonus is strongly linked to corporate performance and individual performance. For employees carrying business performance targets, business performance is also looked at along with

corporate performance and individual performance in order to determine the quantum of performance bonus.
The Bank's revenue target is approved by the Board, which periodically reviews the performance against the target and the means adopted for performance.

3. Design and Structure of Compensation

Compensation is aligned to both financial and non-financial indicators of performance. An appropriate focus is given to performance on parameters like customer service, process improvement, adherence to risk and compliance norms and employee capability building.

Further, employee compensation takes into account a balanced mix of external market pay and internal equity considerations. The compensation outlay is based on cost and income ratios for the Bank.

The Bank has a judicious and prudent approach to compensation and does not use compensation as the only lever to attract and retain employees. No single business or functional leader determines the compensation structure. Good governance dictates a BGRC-approved and supervised compensation approach.

The Bank does not encourage any kind of guaranteed bonus.

The Bank follows a bonus distribution method based on individual performance ratings. The performance ratings-based bonus distribution matrix is determined by the BGRC and the Bank does not follow a business-wise bonus pool concept. No single individual determines the quantity of bonus available to a person. The performance rating of an individual is decided by skip levels and this determines in each case the individual's payout as a percentage of one's base salary.

The BGRC reviews the performance and approves the rate of bonus to be paid in each case, the increments to be given to the President & CEO and to members of the Management Committee and also the bonus rates to be paid to various levels as per the performance of the Bank, business group and each individual employee.

The BGRC approves the threshold organisational performance gates for bonus to be paid. The Committee may also fix the annual bonus as nil if the data and analysis show that the performance is far below the expected levels.

4. Deferral of Variable Component Including Risk Adjustments

In each case, total compensation is a prudent mix of fixed pay and variable pay. The variable pay is higher at senior levels and lower at junior levels. The variable compensation will consist of performance bonus and Employee Stock Options ("ESOS").

At senior levels, the Bank pays 100% of the deferred variable remuneration in ESOS for a vesting period spanning four years with a rear load at 20%, 20%, 30%, 30% respectively vesting each year after the first year of grant. (In this regard, it is noted that the Bank's financial year ends in March of every year). This is paid based on compliance with performance norms both in financial and non-financial areas and does not favour inappropriate risk-taking. As a result, this approach aligns senior management interests with those of the shareholders. All non-vested options lapse in the event of termination of the employment.

The ESOS program aims at achieving the twin objectives of aligning senior and middle management compensation to long-term shareholders interests and the retention of employees identified as Talent (i.e., High Potential) under the Talent Management System. The ESOS program aims at aligning senior management behavior to the long-term view of the Bank's performance and also to create individual stakes in the Bank's success.

The vesting schedule of the ESOS program is spread over a period of four years to fully realise the impact of the decisions taken at senior management levels and the real value created for the shareholders.

The Bank is not a listed company in Canada, but employees are nonetheless granted options under the ESOS program of ICICI Bank Limited, the Parent Bank. This program is approved by the shareholders of ICICI Bank Limited. The BGRC reviews and evaluates the levels for grant under the ESOS program.

The Bank follows a conservative approach to cash bonus payouts. The quantum of bonus for an employee does not exceed 60% of the base salary and is paid on an annual basis. In an exceptional performance event if the quantum of bonus for an employee exceeds 60% of the base salary, the bonus payout will be deferred over a period of 2 years which will be reviewed and approved by the BGRC.

Reference may be made to page 264 (Note 11 (b) "Key management personnel") of (http://www.icicibank.com/aboutus/zip/ICICI_Bank_Subsidiary_Companies_2012.zip) for the disclosures in the audited financials of ICICI Bank Canada.