



BASEL - PILLAR 3 DISCLOSURES

for the year ending

December 31, 2017

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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"). Effective January 1, 2013, the Bank has adopted the Basel III framework ("Basel III"), as required by OSFI. OSFI has issued a revised Capital Adequacy Requirements ("CAR") Guideline encompassing Basel II and Basel III requirements. The most significant aspects of Basel III are measures to improve the quality of capital and increase capital requirements for the global financial system. Common equity is now required to be the predominant form of capital.

Further, OSFI issued the Leverage Requirements ("LR") Guideline in October 2014 which are effective from January 2015 and has also amended the CAR Guideline in November 2014 to remove references to the Assets to Capital Multiple ("ACM") effective January 1, 2015. In accordance with the amended CAR Guideline, OSFI expects all institutions to maintain a leverage ratio (which replaces the ACM) that meets or exceeds 3% at all times and has also prescribed authorized "Leverage Ratio" requirements for individual institutions.

The CAR and LR Guidelines establish two minimum standards, the risk-based capital ratio and the leverage ratio, to provide a framework for assessing the adequacy of capital for all institutions. The leverage ratio test provides an overall measure of the adequacy of an institution's capital while the risk-based capital ratio focuses on risk faced by the institution. These capital adequacy and leverage ratio requirements apply on a consolidated basis and apply to all regulated financial institutions as defined in the CAR Guideline.

OSFI requires all banks to maintain sufficient capital to meet or exceed its capital adequacy requirements. While, the current CAR Guideline has prescribed minimum risk-based capital targets, OSFI may also set higher target capital ratios for individual institutions. The current thresholds of "all in" Common Equity Tier 1 ("CET1"), Tier 1 and total capital adequacy ratios (including capital conservation buffer) as per the CAR Guideline are 7%, 8.5% and 10.5%, respectively. The Bank is in compliance with OSFI's capital adequacy requirements in respect of risk-based CET 1, Tier 1 and Total capital ratios as well as the Leverage Ratio requirements.

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; and
- 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 that require deduction treatment.

This document sets out the Pillar 3 disclosure requirements and is in addition to the consolidated Basel III – 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 (collectively, the "institutions"). Further, in June 2012, BCBS had issued *Composition of capital disclosure requirements – Rules text*. This publication sets out a framework to ensure that the components of banks' capital bases are publicly disclosed in standardized formats across and within jurisdictions for banks subject to Basel III. Accordingly, OSFI had issued an advisory on Public Capital Disclosure Requirements related to Basel III - Pillar 3 disclosures in July 2013 that provided expectations for Domestic Systemically Important Banks ("DSIBs") and non-DSIBs. The Bank has been providing quarterly disclosures on its website beginning in 2013 in line with these requirements. These Pillar 3 disclosures have been prepared in accordance with OSFI's disclosure requirements issued from time to time.

In January 2014, BCBS published the *Basel III leverage ratio framework and disclosure requirements*. This framework introduces a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements and includes public disclosure requirements starting January 1, 2015. Accordingly, OSFI had issued the revised advisory on Public Disclosure Requirements related to Basel III Leverage Ratio in November 2014 incorporating the expectations from DSIBs and non-DSIBs. The Bank has commenced its Public Disclosure Requirements for Leverage Ratio from December 31, 2015.

OSFI has issued the revised advisory on Pillar 3 Disclosure Requirements in April 2014. This advisory has been revised to provide guidance on the disclosure modifications required as a result of OSFI's guidance on Credit Valuation Adjustment (CVA) grandfathering and to provide minor clarification edits to address queries received since the initial issuance of this Advisory.

OSFI has also issued the Liquidity Adequacy Requirements (LAR) Guideline in November 2014 to assess whether a bank, a bank holding company, a trust and loan company or cooperative credit association maintains adequate liquidity. The LAR Guideline builds on the BCBS Basel III liquidity framework, which encompasses Basel III: The Liquidity Coverage Ratio and the liquidity risk monitoring tools published in January 2013, Basel III: the Net Stable Funding Ratio - consultative document published for comment in January 2014, and the Monitoring tools for intraday liquidity management published in April 2013. The LAR Guideline is applicable for the Bank effective January 2015.

Further, Pillar 3 Disclosure Requirements guideline was released in April 2017 setting OSFI's expectations for D-SIBs on the domestic implementation of the Revised Pillar 3 Disclosure Requirements, issued by the Basel Committee in January 2015. Effective October 31, 2018, this guideline will replace the existing disclosure requirements issued under Basel II (including Basel 2.5 enhancements and revisions) in the areas of credit risk, counterparty credit risk and securitization activities. The revised requirements mark the Phase I of the Basel Committee's work on the Pillar 3 disclosure framework, which seeks to promote market discipline through regulatory disclosure requirements. Additional disclosure requirements for Canadian D-SIBs are likely to be introduced at a later date, after the Phase II of the Basel Committee's Pillar 3 disclosure project comes into effect. Non-D-SIBs are expected to continue with their existing Pillar 3 disclosures. OSFI will determine the applicability of the Basel Pillar 3 disclosure requirements to Non-D-SIBs when the Basel Committee completes all phases of the Basel Pillar 3 disclosure project.

2. 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.

3. 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 and leverage ratios are published on a quarterly basis.

4. Location of Disclosures

The Basel - Pillar 3 disclosures are located under the "Regulatory Disclosures" link on the home page of the Bank's website www.icicibank.ca. The Parent Bank's consolidated disclosures are

<http://www.icicibank.com/regulatory-disclosure.page>

5. Limitation of Disclosures

The Pillar 3 disclosures are unaudited and have been prepared only 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 currently comprises only Tier 1 capital components which are subject to the various limits, restrictions and regulatory adjustments as described in Chapter 2 of the CAR Guideline. Tier 1 capital primarily consists of CET 1 capital and additional Tier 1 capital. CET 1 capital includes common shares, retained earnings, and accumulated other comprehensive income and other disclosed reserves. Additional Tier 1 capital includes preferred shares. During 2017 and up to the date of their redemption, the Bank's Additional Tier 1 capital included preferred shares issued by the Bank. The Bank had redeemed the preferred shares on March 30, 2017 after receiving necessary approvals from OSFI. Also during the previous year and up to the date of their redemption in the previous year, the Bank's Tier 2 capital included subordinated notes issued by the Bank. The Bank had repaid the subordinated notes on May 29, 2015 after receiving necessary approvals from OSFI.

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 strong and efficient capital at levels that are appropriate for business requirements from time to time. The Bank also seeks to optimize return to shareholders and implement systems for monitoring the capital position.

The Bank estimates the regulatory capital requirements in line with the CAR Guideline issued by 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.

Common shares

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. OSFI must approve any plan to redeem the Bank's capital for cash.

The Bank has issued 839,500,000 common shares for cash consideration to the Parent Bank. During the year ended December 31, 2017, the Bank has repatriated in cash, by way of 'stated capital reduction', an amount of \$65,000 to its common shareholders after receiving necessary approvals from OSFI.

Preferred shares

The Bank had issued preferred shares of an aggregate value of \$92,732 issued by the Bank for cash consideration to the Parent Bank. During the year ended December 31, 2017, the Bank redeemed the balance amount of outstanding preference share capital of \$55,639 (i.e. 10,000,000 shares of "Series A" totaling \$10,000, 509,280 shares of "Series B" totaling \$12,732, 600,000 shares of "Series C" totaling \$15,000 and 716,288 shares of "Series D" totaling \$17,907) after receiving OSFI's approval. During the previous year ended December 31, 2016, the Bank redeemed \$37,093 of its preference share capital (i.e. the entire 1,200,000 shares of "Series E" totaling \$30,000 and 283,712 shares of "Series D" totaling \$7,093) after receiving OSFI's approval. There was no outstanding amount of preferred shares as at December 31, 2017.

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). No dividends have been paid on common shares and on preferred shares during the year ended December 31, 2017.

Subordinated notes

As at December 31, 2017 there were no outstanding subordinated notes issued by the Bank.

The following table summarizes the amount and composition of the Bank's regulatory capital and capital ratios as at December 31, 2017:-

Capital Components	Amount in 000s CAD
<u>Regulatory Capital</u>	
<u>Common Equity Tier 1 (CET1) Capital</u>	
Common shares	569,500
Surplus (share premium) relating to common shares [@]	-
Retained earnings for accounting purposes	82,563
Accumulated other comprehensive income for capital purposes	(3,596)
	<u>648,467</u>
<u>Regulatory adjustments to CET1 Capital</u>	
Debit valuation adjustment on derivatives	5
	<u>648,462</u>
<u>Additional Tier 1 Capital</u>	
Preferred share capital (after phase out arrangements for capital adequacy purposes)	-
	<u>648,462</u>
<u>Tier 2 Capital</u>	
Subordinated notes (after phase out arrangements and net of amortization for capital adequacy purposes)	-
	<u>-</u>
Total Capital	<u><u>648,462</u></u>

@ Effective April 2014, only surplus (share premium) resulting from the issue of instruments can be included in CET1 capital. Since the additional paid-in capital recorded by the Bank is not related to issue of common shares, it is ineligible for inclusion as CET1 capital.

IV. Capital Adequacy

1. Approaches

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

a) Credit risk - Standardized Approach

The Bank has adopted the Standardized Approach for computing capital requirements under credit risk. Under the Standardized Approach, the Bank applies risk weights to various on-balance sheet and off-balance sheet (credit equivalent amounts) exposures with the exception of items that are deducted from capital as regulatory adjustments pursuant to the CAR Guideline, section 2.3 of Chapter 2 – Definition of Capital. On-balance sheet exposures include claims on sovereigns, banks, corporates, residential mortgages, regulatory retail portfolio, equity, securitization exposure, etc. Off-balance sheet exposures include undrawn commitments, direct credit substitutes, transaction-related contingencies, trade-related contingencies, interest rate swaps, forward foreign exchange contracts, cross currency swaps, etc.

Further, the exposures are categorized into drawn, undrawn commitments, repo-style transactions, OTC derivatives and other off-balance sheet exposures. The Bank computes gross exposure as the sum of the total on-balance sheet exposures and credit equivalent amount for off-balance sheet exposures gross of allowances for credit loss. Further, “net exposure” refers to gross exposure net of individual allowances. Net exposures after applying Credit Risk Mitigation are risk weighted as per CAR Guideline for computation of total adjusted risk weighted assets (“RWA”) for credit risk.

b) Market risk Approach

OSFI had re-issued revised CAR Guideline on April 24, 2014 and the changes were effective immediately. The revisions were required to be reflected in reported information commencing Q3 2014. Paragraph 2 of Chapter 9 of the revised CAR Guideline for the market risk framework specifies that market risk requirements apply only to internationally active institutions. Further, paragraph 3 of the Chapter 9 mentions that OSFI retains the right to apply the framework to other institutions, on a case by case basis and all institutions designated by OSFI as domestic systemically important banks (“D-SIBS”) shall meet the requirements of this Chapter. Thus the market risk framework was not applicable to the Bank as at December 31, 2017. 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 ("BIA")

The Bank has adopted the Basic Indicator Approach for computing capital requirements under operational risk. Under this approach the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (currently 15%) of positive annual gross income. Year 3 captures the most recent rolling four quarters ending with the current quarter. Amounts for any year in which annual gross income is negative or zero are required to be excluded from both the numerator and denominator when calculating the average gross income. The CAR Guideline defines "gross income" as net interest income plus net non-interest income and excludes realized profits/losses from the sale of securities in the banking book and any extraordinary or irregular items as well as income derived from insurance. The RWA for operational risk is calculated as 12.5 times the operational risk capital charge under BIA.

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, the impact of stress and scenario tests, the Bank's risk appetite and also the capital requirement that is consistent with the Bank's business plan.

Further, the CET 1, Tier 1 and Total capital ratios are computed by dividing CET 1, Tier 1 and total capital by total adjusted RWA determined under Pillar 1 as per OSFI's CAR Guideline. Chapter 1 of CAR Guideline requires the Bank to phase-in the Credit Valuation Adjustment ("CVA") capital charge over a five year period beginning in 2014 according to either Option 1 or Option 2. In Option 1 the values for the CET1 Capital scalar, Tier 1 Capital scalar, and Total Capital scalar vary by year up to 2018 whereas in Option 2 Total Capital scalar is used. The Bank has chosen Option 2 for determining CVA RWA for purposes of calculating CET1, Tier 1 and Total capital ratios during the period from Q1 - 2014 to Q4 - 2018.

OSFI has stipulated the minimum capital requirements in Chapter 1 of CAR Guideline and expects all institutions to attain an "all-in" target CET 1 ratio of 7% by Q1, 2013, 8.5% for total tier 1 and 10.5% for total capital by Q4, 2014.

Leverage Ratio

Effective January 1, 2015, the Bank calculates Leverage Ratio ("LR"). The Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator) and is expressed as a percentage. OSFI expects all institutions to maintain a leverage ratio that meets or exceeds 3% at all times beginning in Q1 2015. The Superintendent has also prescribed authorized leverage ratio requirements for individual institutions.

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, is conducted to assess the impact of stress events on the Bank's risk profile and internal capital adequacy requirements. 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 Bank uses the ICAAP to determine the Bank's growth strategy, risk profile and minimum capital resource requirements and formulates its internal capital level targets based on the ICAAP and endeavors to maintain its capital adequacy level in accordance with the targeted levels at all times. 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 OSFI guidelines;
- Assessment of material risks (Pillar 1 and Pillar 2);
- Impact of stress testing and scenario analysis; and
- Potential management actions in the event of stress.

Monitoring and reporting

The Board of Directors of the Bank maintains an active oversight of the Bank's capital adequacy levels. A summary of the capital adequacy position, the risk weighted assets and the leverage ratio 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 ("RWA") under each of the standardized exposure classes as at December 31, 2017:

Standardized approach – credit risk asset classes	Amount in 000s CAD RWA
Banking Book (excl. securitizations)	
Corporate	2,520,096
Sovereign	7,910
Bank	34,843
Retail Residential Mortgages	263,405
Other Retail excl. SBE	3,083
SBE treated as Other Retail	-
Equity	85
Trading Book	-
Securitizations	-
Other credit risk-weighted assets	74,865
Total adjusted risk-weighted assets for credit risk	2,904,287
<hr/>	
Standardized Approach	
Market Risk	-
<hr/>	
Basic Indicator Approach	
Operational Risk	175,825
Total adjusted RWA before adjustment for CVA phase-in	3,080,112
Adjustment for CVA RWA phase-in	(273)
Total RWA after adjustment for CVA phase-in	3,079,839

The following table summarizes the Bank's regulatory capital ratios and Leverage Ratio as at December 31, 2017:-

Regulatory capital ratios

CET 1 Capital (%)	21.06%
Tier 1 Capital (%)	21.06%
Total Capital (%)	21.06%
Leverage ratio	9.90%

3. Credit Risk

a) Credit Risk Management

Credit risk is the risk that a bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations and it arises principally from the bank's loans and advances to customers and other banks, and investment in debt securities. The Bank's Corporate and Commercial Credit and Recovery Policy and the Retail Credit and Recovery Policy (collectively referred to as "CRP" in this document), which are approved by its Board, describe 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.

The Bank takes a two-tier approach to the assessment of corporate/commercial credit risk: initially, by a 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 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.

Additionally, the residential mortgage applications are electronically transmitted from the mortgage brokers to an underwriting system with built-in business rules to determine parameters/approval authorities to facilitate the underwriting process. Each application is also submitted to a credit insurer for approval. Only the applications approved by the credit insurer are adjudicated by the underwriting team based on the Bank's RMUP. The underwriting team is also responsible for credit administration, which includes monitoring compliance with the terms and conditions for the committed mortgages prior to disbursement. The closing centers review the completeness of documentation and creation of security including title insurance for the mortgage.

The Bank follows an approach consistent with the Parent Bank in terms of dealing with sovereign and financial institutions worldwide. The primary responsibility for evaluating global financial institution exposures rests with the Parent Bank's International Financial Institutions Group ("IFIG"). Global bank lines are reviewed by the Parent Bank annually. The Bank adopts the lower of the globally approved limit or the maximum permissible limits as applicable under large exposure limit under the Portfolio Management section in the CRP. Lending officers approach IFIG and obtain their first line approval for entering into a relationship, before progressing on a proposal for a particular bank or non-bank financial institution or counterparty and present their evaluation in writing to MCC. The Bank has also setup aggregate exposure limits which are monitored and reported to MCC on a monthly basis and to RC on a quarterly basis.

The Bank has put in place a Board-approved comprehensive limit framework (as included in CRP and RMUP) to prudently manage the credit risk profile of the Bank. The Bank complies with the norms on exposure stipulated by OSFI for both single borrower as well as at a connection level. Limits have been set as a percentage of the Bank's capital funds and are regularly monitored. The material limits included as part of the CRP include limits on single party exposure, connection exposure, risk rating category, industry, geographical exposures, portfolio exposures, type of borrower, class of security, tenor, and Loss Given Default ("LGD") profile. Similarly, the material limits included as part of the RMUP include limits on total portfolio, provincial exposures, private mortgage insurer exposures and unsecuritized exposures.

All credit exposures are measured and monitored using a centralized exposure management system. The analysis of the composition of the portfolio and limits compliance is presented to MCC on a monthly basis and quarterly to RC. In addition, credit limits for Corporate and Treasury clients are monitored by the Middle Office Groups and the monitoring reports which detail deficiencies and limit breaches, are sent to Senior Management on a regular basis.

Monitoring of credits, while ongoing as part of scheduled periodic credit reviews, can also be triggered by any material credit event coming to the Bank's notice through either primary or secondary sources. 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.

Credit risk is also managed at the portfolio level by monitoring and reporting to the MCC and RC, the key parameters of risk concentration; namely, product specific exposures, large exposures, industry/sectoral exposures, country/geographical exposures and rating category-based exposures.

Equity exposure:

The Bank's equity exposure includes an investment of \$85 [£50,000] in ICICI Bank UK PLC which is risk weighted at 100% under the Standardized Approach for credit RWA.

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, 2017:

Amount in 000s CAD						
Portfolio	Drawn	Undrawn Commitments¹	OTC Derivatives	Other Off Balance sheet Items¹	Total	RWA
Corporate	2,365,291	564,442	5	91,780	3,021,518	2,520,096
Sovereign	432,588	-	-	-	432,588	7,910
Bank	92,327	-	38,243	-	130,570	34,843
Total Institutional Credit Exposures	2,890,206	564,442	38,248	91,780	3,584,676	2,562,849
Residential Mortgages	3,343,683	104,303	-	-	3,447,986	263,405
Other Retail (excl. SMEs)	40,541	16,177	-	-	56,718	3,083
Retail SME	-	-	-	-	-	-
Total Retail Credit Exposures	3,384,224	120,480	-	-	3,504,704	266,488
Equity Exposures	85	-	-	-	85	85
Securitization Exposures	-	-	-	-	-	-
Other credit risk-weighted assets²	87,648	-	-	-	87,648	74,865
Total Gross Credit Exposures	6,362,163	684,922	38,248	91,780	7,177,113	2,904,287

Note: Gross credit exposure is gross of all allowances for credit loss.

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

² Includes RWA on Credit Valuation Adjustments on Bilateral OTC Derivatives.

The following table summarizes the Bank's total average gross credit risk exposure (credit-equivalent amount for OTC derivative exposures) and risk-weighted assets ("RWA") as at December 31, 2017:

Amount in 000s CAD						
Portfolio	Drawn	Undrawn Commitments¹	OTC Derivatives	Other Off Balance sheet Items¹	Total	RWA
Corporate	2,331,144	519,390	158	79,333	2,930,025	2,422,177
Sovereign	464,085	-	-	-	464,085	1,863
Bank	160,414	-	40,938	-	201,353	53,280
Total Institutional Credit Exposures	2,955,643	519,390	41,096	79,333	3,595,462	2,477,321
Residential Mortgages	3,397,805	90,296	-	-	3,488,101	215,639
Other Retail (excl. SMEs)	48,340	10,843	-	-	59,183	2,037
Retail SME	-	-	-	-	-	-
Total Retail Credit Exposures	3,446,145	101,139	-	-	3,547,284	217,675
Equity Exposures	84	-	-	-	84	84
Securitization Exposures	-	-	-	-	-	-
Other credit risk-weighted assets²	92,394	-	-	-	92,394	73,950
Total Gross Credit Exposures	6,494,266	620,529	41,096	79,333	7,235,224	2,769,030

Note: Gross credit exposure is gross of all allowances for credit loss and average exposure has been calculated based on monthly average exposures.

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

² Includes RWA on Credit Valuation Adjustments on Bilateral OTC Derivatives.

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, 2017:

Exposure Category	Amount in 000s CAD				
	Drawn	Undrawn Commitments ¹	OTC Derivatives	Other Off Balance sheet Items ¹	Total
0% risk weight	420,634	-	-	-	420,634
More than 0% but Less than 100% risk weight	3,475,210	120,480	30,534	-	3,626,224
100% risk weight	2,457,404	564,442	7,714	91,780	3,121,340
More than 100% risk weight	8,915	-	-	-	8,915
Total Gross Credit Exposures	6,362,163	684,922	38,248	91,780	7,177,113

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, 2017:

Exposure Category	Amount in 000s CAD		
	Rated	Unrated	Total
0% risk weight	393,040	27,594	420,634
More than 0% but Less than 100% risk weight	159,243	594,969	754,212
100% risk weight	10,874	2,571,442	2,582,316
More than 100% risk weight	-	8,915	8,915
Total Net Credit Exposures after CRM	563,157	3,202,920	3,766,077

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

The following table summarizes the Bank's total gross credit exposures by geography based on the location of ultimate risk as at December 31, 2017:-

Category	Amount in 000s CAD			
	Canada	India	Others	Total
Deposit with Bank	21,906	2,708	17,163	41,777
Securities	481,621	-	-	481,621
Loans	4,939,136	195,692	630,826	5,765,654
Undrawn Commitments	618,693	368	65,861	684,922
OTC Derivatives	29,987	7,709	552	38,248
Other Off Balance Sheet Items	77,576	14,201	3	91,780
Equity			85	85
Total	6,168,919	220,678	714,490	7,104,087

Note: Gross credit exposure (credit equivalent amount for Off B/S exposures) by geography excludes accrued interest of CAD 8,303 and other assets of CAD 64,723.

The following table summarizes the Bank's industry-wise distribution of total gross credit exposures as at December 31, 2017:

Category	Amount in 000s CAD							Total
	Deposit with Bank	Securities	Loans	Undrawn Commitments ¹	OTC Derivatives	Other Off Balance sheet Items ¹	Equity	
Residential mortgages			3,366,584	104,302				3,470,886
Personal loans			40,510	16,178				56,688
Total Gross Retail Exposures			3,407,094	120,480				3,527,574
Accommodation and food services			112,252	4,996		-		117,248
Admin & Support, Waste Mgmt and Remediation			136,515	10,327	2	7,677		154,521
Agriculture, forestry, fishing and hunting			12,404	1,960		30		14,394
Arts, entertainment and recreation			50,017	-				50,017
Construction			154,460	28,817				183,277
Finance & Insurance	41,777	49,969	28,032	34,243	38,243	14,498	85	206,847
Government & Sovereign		431,652	-					431,652
Health care and social assistance			37,909	20,331				58,240
Information and Cultural Industries			218,557	43,808		21,783		284,148
Manufacturing			528,513	93,607	-	2,282		624,402
Mining, Quarrying and Oil and Gas Extraction			124,584	144,124		1,913		270,621
Professional, Scientific, & Technical Services			119,341	44,123		174		163,638
Real Estate and Rental and Leasing			262,868	26,305		53		289,226
Retail Trade			198,666	51,166		1,885		251,717
Transportation & Warehousing			130,725	36,488		12,323		179,536
Utilities			173,551	-				173,551
Wholesale Trade			77,598	24,147		14,065		115,810
Others		-	-		3	15,097		15,100
<i>Deferred loan fees and premium</i>			(7,432)					(7,432)
Total Gross Exposures Excluding Retail	41,777	481,621	2,358,560	564,442	38,248	91,780	85	3,576,513
Total Gross Credit Exposures	41,777	481,621	5,765,654	684,922	38,248	91,780	85	7,104,087

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

² Others include securitization exposure and cash back transactions under securities and other off balance sheet items respectively.

The following table summarizes the Bank's maturity pattern of assets as at December 31, 2017:

Maturity buckets	Amount in 000s CAD						
	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	2,041.51	18,288.60	426,150.71	64,218.81	-	54.38	510,754.01
2 to 7 days	-	23,488.06	14,996.18	52,490.72	-	327.54	91,302.49
8 to 14 days	-	-	14,992.35	16,928.88	-	380.64	32,301.87
15 to 30 days	-	-	19,980.69	61,305.24	-	6,026.38	87,312.31
31 days upto 2 months	-	-	-	110,490.21	-	7,901.45	118,391.66
More than 2 months and upto 3 months	-	-	-	95,273.43	-	6,785.47	102,058.90
More than 3 months and upto 6 months	-	-	-	115,321.60	-	12,493.47	127,815.08
More than 6 months and upto 1 year	-	-	-	304,088.67	-	1,398.39	305,487.06
More than 1 year and upto 3 years	-	-	-	1,986,981.78	-	-	1,986,981.78
More than 3 year and upto 5 years	-	-	-	2,281,575.77	-	-	2,281,575.77
Above 5 years	-	-	5,500.81	480,751.57	1,075.23	34,628.17	521,955.78
Total	2,041.51	41,776.66	481,620.73	5,569,426.67	1,075.23	69,995.89	6,165,936.69

b) Credit Risk Mitigation

Collateral management

Collateral is obtained when the loan is initially granted and is monitored periodically. For impaired loans, the available collateral has been considered in determining loan loss allowances. 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

The 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; and
- Eligible guarantees/credit derivatives including for residential mortgages insured by CMHC/private insurer.

The Bank reckons the permitted credit risk mitigants for obtaining capital relief through a reduction in RWA 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 Guideline, among its conditions for eligible credit risk mitigants, requires 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, 2017:

Amount in 000s CAD

Risk-weighted assets	Eligible financial collateral	Eligible guarantees/credit derivatives
Corporate	11,218	2,709
Sovereign		
Bank		
Total Institutional Credit Exposures	11,218	2,709
Residential Mortgages		2,773,562
Other Retail (excl. SMEs)	36,530	
Retail SME		
Total Retail Credit Exposures	36,530	2,773,562
Total Gross Credit Exposures	47,748	2,776,271

External ratings

The Bank uses external ratings of recognized rating agencies identified in the CAR Guideline 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 the 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 in CAR Guideline. Further, the risk-weighted amounts represent the credit equivalent amount risk weighted according to the creditworthiness of the counterparty, using factors prescribed in the Guideline.

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, 2017:

	Amount in 000s CAD				
	Notional Principal Amount	Gross Positive Fair Value	Gross Negative Fair Value	Credit Equivalent Amount	Risk- weighted assets
Trading					
Forward foreign exchange contracts	171	1	-	3	3
Foreign currency swaps	1,269,325	25,552	5,698	38,242	13,816
Interest rate swaps	35,973	2	2	2	2
Hedging					
Interest rate swaps	-	-	-	-	-
Total	1,305,469	25,555	5,700	38,247	13,821

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 that are identifiable for individual loans, as well as losses that have occurred but have not yet been identified on individual loans in a portfolio.

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 the individual asset and collective levels. 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 are 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, 2017:

	CAD in 000's
Industries	Collective Allowance
Residential mortgages	813
Personal loans	61
Total Retail Loans	874
Accommodation and food services	229
Admin & Support, Waste Mgmt and Remediation	7,056
Agriculture, forestry, fishing and hunting	29
Arts, entertainment and recreation	185
Construction	67
Finance & Insurance	48
Government & Sovereign	-
Health care and social assistance	81
Information and Cultural Industries	279
Manufacturing	3,535
Mining, Quarrying and Oil & Gas Extraction	668
Multiproduct conglomerates	-
Professional, Scientific and Technical Services	178
Real Estate and Rental & Leasing	557
Retail Trade	522
Transportation & Warehousing	213
Utilities	1,608
Wholesale Trade	76
Total Corporate & Commercial Loans	15,331
Total Loans	16,205

The following table shows the movement of collective allowances during the year ended December 31, 2017:

	CAD in 000's
Opening Balance (January 1, 2017)	13,520
Provisions made during the year, net	2,685
Write-off during the year	-
Closing balance (December 31, 2017)	16,205

Note: Provision made during the year, net excludes charge back of CAD 70 on non-fund credit instruments.

The following table shows the geography wise distribution of collective allowances based on country of risk as at December 31, 2017:

	CAD in 000's
Canada	12,642
India	2,350
Others	1,213
Total	16,205

Note: Collective allowances excludes CAD 96 on non-fund credit instruments.

The Bank follows a two-tier risk rating system for credits, consisting of a borrower/obligor risk rating ("BRR") and a transaction risk rating ("TRR"). As defined in its Corporate and Commercial Credit and Recovery Policy ("CCCRP") with respect to corporate and commercial loans, commercial mortgages and residential mortgages, borrowers/obligors are risk-rated using general corporate or sector specific scorecards by assigning a fourteen grade classification system (1 up to 8) to reflect the probability of default. The TRR is then determined by adjusting the BRR to reflect collateral assessment as per the loss given default framework and TRR framework.

Credits with a BRR 1 through 4C are considered "Satisfactory", BRR 5 loans are considered "Especially mentioned" and BRR 6 loans are treated as "Substandard". An exposure rated BRR 7 is closely monitored or is categorized as "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.

Further, as defined in the Retail Credit and Recovery Policy ("RCRP"), with respect to retail loans (incl. credit card exposures), each borrower is classified into one of the four risk score buckets – Low risk ('BRR A'), Medium risk ('BRR B'), High risk ('BRR C') and Default ('BRR D') – to reflect the probability of default. The TRR is then determined by adjusting the borrower/obligor risk rating to reflect collateral assessment as per LGD and TRR framework.

The following table shows the amount of "Doubtful" or "Default and impaired" loans by loan type as at December 31, 2017:

Amount in 000s CAD			
	Gross Outstanding Amount	Specific Allowance[#]	Net Amount
Non-mortgage loans			
To individuals for non-business purposes	46	46	-
Other	194,915	179,976	14,939
Mortgage loans			
Residential	-	-	-
Non-residential	-	-	-
Total	194,961	180,022	14,939

[#] Includes IFRS requirement of specific allowances held on account of interest accruals on "doubtful" or "default and impaired" loans.

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, 2017:

Amount in 000s CAD				
Category	Canada	India	Others	Total
Gross Outstanding Amount	2,727	192,234	-	194,961
Specific Allowance[#]	3,449	176,573	-	180,022
Net Amount	(722)	15,661	-	14,939

[#] 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, 2017:

Amount in 000s CAD

Industries	Gross Outstanding Amount	Specific Allowance	Net Amount
Residential mortgages	-	-	-
Personal loans	46	46	-
Total Retail Loans	46	46	-
Accommodation and food services			-
Admin & Support, Waste Mgmt and Remediation [#]		1,265	(1,265)
Arts, entertainment and recreation			-
Construction	107,813	107,813	-
Finance & Insurance			-
Government & Sovereign			-
Health care and social assistance			-
Information and Cultural Industries			-
Manufacturing	25,364	9,704	15,660
Mining, Quarrying and Oil & Gas Extraction	61,638	61,094	544
Multiproduct conglomerates			-
Professional, Scientific and Technical Services	-	-	-
Real Estate and Rental & Leasing	100	100	-
Retail Trade			-
Transportation & Warehousing			-
Utilities			-
Wholesale Trade			-
Total Corporate & Commercial Loans	194,915	179,976	14,939
Total Loans	194,961	180,022	14,939

[#] Includes IFRS requirement of specific allowances held on account of interest accruals on "doubtful" or "default and impaired" loans.

The following table shows the movement in "Doubtful" or "Default and impaired" loans for the year ended December 31, 2017:

	CAD in 000's
	Amount
Gross Loans	Amount
Opening Balance (January 1, 2017)	258,502
Additions during the year	46
Reductions during the year	(63,587)
Closing balance (December 31, 2017)	194,961
	Amount
Net Loans	Amount
Opening Balance (January 1, 2016)	43,110
Additions during the year	-
Reductions during the year	(28,171)
Closing balance (December 31, 2016)	14,939

Note: 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, 2017:

	CAD in 000's
Opening Balance (January 1, 2017)	215,392
Provisions made during the year	(3,211)
Write-off during the year	(23,081)
Foreign exchange movements	(9,078)
Closing balance (December 31, 2017)	180,022

The following table shows the industry-wise specific provisions accounted in the statements of comprehensive income for the year ended December 31, 2017:

Industries	CAD in 000's
Residential mortgages	-
Personal loans	31
Total Retail Loans	31
Accommodation and food services	
Admin & Support, Waste Mgmt and Remediation	
Arts, entertainment and recreation	
Construction	(1,100)
Finance & Insurance	
Government & Sovereign	
Health care and social assistance	
Information and Cultural Industries	
Manufacturing	(4,744)
Mining, Quarrying and Oil & Gas Extraction	2,602
Multiproduct conglomerates	
Professional, Scientific and Technical Services [#]	
Real Estate and Rental & Leasing	
Retail Trade	
Transportation & Warehousing	
Utilities	
Wholesale Trade	
Total Corporate & Commercial Loans	(3,242)
Total Loans	(3,211)

[#] 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 non-performing investments ("NPI") as at December 31, 2017:

	CAD in 000's
Gross NPI	-
Less: Provisions	-
Net Book Value of NPIs	-

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 (i.e. originated by third parties) mortgages, in order 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 CMHC or approved third party insurers. The CMB, introduced by CMHC, is a guaranteed, semi-annual coupon, bullet-maturity bond. CMBs 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, Financial Instruments: Recognition and Measurement ("IAS 39"). For mortgages that are securitized and for 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".

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, 2017. However, such securitization is not subject to a securitization framework under the CAR Guideline. 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.

The following table shows the amount of assets intended to be securitized during the year in the banking book as at December 31, 2017:

	Amount in CAD '000s
Amount of assets intended to be securitized within a year	700,000
Of which:	
amount of assets originated within a year before securitization	700,000

The Bank did not hold any retained or purchased securitization exposures in its trading or banking book as at December 31, 2017 and accordingly there are no disclosures to be provided.

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 defines the guidelines adopted by the Bank towards minimizing losses due to process failures, flaws in product designs that can expose the Bank to losses due to fraud, the impact of failures in technology/systems and the continuity in the Bank's operations in contrary conditions.

The Bank has also developed and implemented an Information Security Policy. The policy gives direction towards development, maintenance and review of Information Security ("IS") standards and procedures adopted by the Bank across people, process and technology. The policy endeavors to ensure compliance with all internal and regulatory IS requirements, including customer data protection.

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 appropriate methods for monitoring compliance with laws, regulations, supervisory and internal policies. The Senior Management reports to the Board on these issues. The Bank has implemented a risk and control self-assessment approach to identify and ensure effective control of its operational risks.

The Operational Risk Management Group ("ORMG") under the supervision of the CRO is responsible for providing oversight of operational risk within the Bank, by undertaking the activities of operational risk identification, assessment, measurement, monitoring and reporting to the Operational Risk Committee ("ORC"), the RC and the Board.

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 ORMG. The 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 materiality prior to outsourcing. For all such arrangements deemed to be material, 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.

Operational risk incidents are reported regularly and transactions resulting in losses are routed through "Operational Risk Account". Root Cause Analysis is carried out for the significant operational risk incidents (beyond threshold limits) reported and corrective actions are incorporated back into respective processes. The Bank has implemented incident reporting process, which facilitate capturing of operational risk incidents by the employees of the Bank.

The operational risk losses and incident analysis are submitted to the RC and to the Board on a periodic basis. Operational risk exposures (risk and control self-assessment results, operational risk incidents analysis and key risk indicators) are monitored by the ORC on a regular basis and reported to the Senior Management in the form of dashboards on a periodic basis.

In keeping with the Bank's enterprise-wide approach for managing Regulatory and Compliance Risks, the Bank has implemented a Legislative Compliance Management ("LCM") Policy. The policy applies to every aspect of the Bank's operations and activities without exception. The Bank recognizes the risk of legal and regulatory sanctions, material financial loss, and loss to reputation that it may suffer in the event that it does not comply with any regulatory requirements. The Bank has implemented a formal risk assessment methodology which outlines the overall Regulatory Risk management process. This methodology uses international standards and best practices including the COSO Internal Control Framework and COSO ERM Integrated Framework, as guidelines.

Group risk management framework

The Bank is aligned with the Parent Bank's risk management framework, which has been developed in order to identify, evaluate and manage key risks on a worldwide basis. The framework is applicable to all overseas banking entities of the Parent Bank. The policies applicable to the Bank are formulated in consultation with the Risk Management Group of the Parent Bank and are independently reviewed and approved by the Bank's Board.

The Bank has adopted the Basic Indicator Approach in determining its operational risk capital requirement. The capital charge and the corresponding RWA for operational risk as at December 31, 2017 were CAD 14,066 and CAD 175,825 respectively.

5. Market Risk

Market risk is the uncertainty of earnings faced by the Bank as a result of volatility in market factors (i.e., interest rates, currency exchange rates, market liquidity and asset prices). Market risk events may impact the valuation of investments and the net interest income and net interest margin resulting in an impact on the profit and loss account. The policies approved by the Board for addressing market and liquidity risks are the Liquidity Management Policy ("LMP"), Market Risk Management Policy ("MRMP") and Liquidity Contingency Plan ("LCP").

The MRMP covers the policies governing overnight Treasury investments as well as long-term investments, Treasury organization structure, authorization, product guidelines, limits, classification and valuation norms, audit control and reporting.

The Board has delegated the responsibility for market-risk management to the RC and the ALCO within the broad parameters laid down in the MRMP. The ALCO considers various Investment and Treasury operations matters, implementation of risk mitigation measures, and recommends major policy changes governing Treasury activities to the RC. The Committee reviews adherence to OSFI market-risk requirements as well as internal control guidelines and limits. The ALCO ensures that the Bank's balance sheet is managed in accordance with the risk parameters/ prudential limits stipulated by the MRMP. Also, independent control groups have been formed, with clear functional separation, including:

- Trading i.e. Front Office;
- Monitoring and control i.e. Treasury Service and Control Group ("TCSG"); and
- Risk Management.

The Market Risk Management Group with inputs from the Global Market Risk Management Group recommends changes in risk policies and controls and the processes and methodologies for quantifying and assessing market risks. The TCSG, which is independent of business groups, carries out an independent verification of transactions entered into by the Front Office prior to confirmation of each transaction and associated reporting requirements. TCSG also monitor and report the various risk limits set through the LMP and the MRMP.

The MRMP sets out the deal-size limits for various products. These limits have been set up based on a hierarchy of executives. Various coherence checks are inserted in the system for ensuring that the appropriate deal-size limits are enforced.

The Bank has put in place a Board-approved comprehensive limit framework (as included in the MRMP) to prudently measure and manage the market risk profile of the Bank. The material limits include Earnings at Risk ("EaR") limits, Duration of Equity ("DoE") limits, net overnight open position limit, investment limits, hedge limits, transaction size limits, counterparty limits, deal size limits, Foreign Exchange Value at Risk limit, daily MTM volatility triggers, and cumulative stop loss triggers. The TCSG monitors compliance with various internal and regulatory limits and guidelines. The Bank reports exposures and compliance to limits on a monthly basis to ALCO and on a quarterly basis to RC.

Further, the Bank does not maintain any proprietary trading book. It manages the interest rate and price risk on its balance sheet within Board approved MTM volatility trigger, cumulative loss trigger for forex swaps and cumulative stop loss trigger for other treasury products/derivatives of CAD 2,500, CAD (10,000) and CAD (10,000) respectively. The average and peak utilization of the MTM volatility trigger based on month-end business days during CY2017 was CAD 886 and CAD 1,312 respectively. The average and peak utilization of the Cumulative Stop loss trigger for FX swaps based on month-end business days during CY2017 was CAD (3,182) and CAD (5,828) respectively. The related portfolio had a limit on NOOP of USD 15,000,000; its average and peak utilization based on month-end business days during CY2017 were USD 4,485,892 and USD 7,647,840 respectively. Further, the average and peak utilization of the Cumulative Stop loss trigger for other treasury products/derivatives based on month-end business days during CY2017 was nil and CAD (1,649) respectively.

The key risks to which the Bank is exposed from a market risk perspective relate to interest rate risk, foreign exchange risk, liquidity and funding risk.

6. Structural 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 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 EaR. The EaR for the Bank over a 4-quarter horizon for an adverse 100 bps parallel shift in interest rates shall not exceed 3% of the Bank's current Tier 1 plus Tier 2 capital or CAD 15,000 (whichever is lower). At December 31, 2017, the actual limit utilization was CAD 5,145 i.e. 0.79% of the Bank's current Tier 1 plus Tier 2 capital. The peak EaR during CY2017 was 1.35% (CAD 9,889).

Further, the Bank uses various measures, including 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 (+/-) 4% of Tier 1 capital given a 100 bps change in interest rates and as at December 31, 2017, the actual DoE was 2.11, based on which the actual limit utilization was 2.11% of Tier 1 capital. The peak DoE during CY2017 was 2.90 years, based on which the actual limit utilization was 2.90%.

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

7. Foreign Exchange Risk

The foreign exchange risk arises due to positions in non-Canadian denominated currencies, which in turn arises from assets and liabilities in those currencies. The risk originates as a result of the impact on revenue due to the potential revaluation of non-Canadian assets and liabilities. The aggregate net overnight open exchange position across all foreign currencies as per the MRMP shall not exceed USD 15,000,000. Generally, Value-at-Risk ("VaR") is a tool for measuring market risk on trading positions. It seeks to ascertain the maximum loss on a portfolio at a given confidence level over a specific holding period. As per the MRMP, a VaR limit (99%-1day) of USD 250,000 has been set on the aggregate overnight open position and the actual VaR as at December 31, 2017 was USD 78,130. The Bank uses one-year data to compute VaR and there have been no breaches of the VaR limit in the year ended December 31, 2017.

8. Liquidity and Funding Risk

Liquidity risk relates to the potential difficulty in accessing financial markets in order to meet payment obligations. Liquidity risk is the potential for losses that could be incurred from holding insufficient liquidity to survive a liquidity contingent stress event, whether name-specific, market-specific or combined (market and name specific) scenarios. It includes the risk of unexpected increases in the cost of funding the assets, and the risk of being unable to access the market or to liquidate investments in a timely manner at a reasonable price.

The Bank has established the LMP to manage the liquidity and funding risk for the Bank. The Policy details the Bank's tolerance for assuming liquidity risk and methods for identification, measurement, monitoring, controlling and reporting liquidity risk and is reviewed by the RC of the Board of Directors on an annual basis. The ALCO of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the LMP.

The goal of liquidity risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

The LMP captures the details of the risk appetite framework and risk capacity of the Bank. The Bank expresses its liquidity risk appetite through a range of limits across liquidity gaps covering the entire spectrum of the balance sheet, including limits specified in major currencies (Canadian and U.S. dollars). The Bank also monitors liquidity risk through liquidity ratios and regulatory reports such as Net Cumulative Cash Flows (NCCF) and Liquidity Coverage Ratio (LCR) on a periodic basis.

The LMP also captures the details of stress test scenarios (Bank-specific, Market-specific and Combined scenarios) for different short-term stress horizons. Under each of the stress scenarios, certain factors like deposits, unfunded authorizations from corporate, mortgage and other retail commitments, non-fund commitments like stand by letter of credit (SBLCs) are subjected to varying degrees of severity to estimate the outflows. These stressed outflows are expected to be offset using appropriate funding plan. Such assessments are carried out for 30-day, 60-day and 90-day stress horizons.

The Bank proactively manages liquidity risk as a part of its ALM activities. The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity ("SSL"), liquidity ratios and stress testing through scenario analysis.

The Bank has also framed a LCP, which serves as a framework for early identification and calibrated action in the event of tight liquidity conditions. The LCP includes various indicators which are monitored regularly, and lays down the mechanism for escalation, remedial action and crisis management until return to normalcy.

The Treasury team manages the market risk of treasury positions and the day-to-day liquidity of the Bank. It is subject to periodic review by Internal Audit, and is approved by the Board of Directors. Treasury ensures that adequate liquidity is maintained at all times through systematic funds planning and maintenance of liquid investments. The Bank at all times seeks to maintain diversification in the sources and tenor of its funding. The Bank's liabilities are largely drawn from retail deposits, commercial deposits, other financial institutions, inter bank borrowings, securitizations and other funding sources which may become available from time to time. In addition, liquidity stress testing analysis as per the LCP are regularly performed to assess the Bank's ability to withstand extreme crisis situation.

The Senior Management also regularly monitors the liquidity positions taken on a daily basis. The ALCO and the RC undertake a periodic review of the market risk and liquidity position of the Bank. The liquidity position of the Bank including utilization against gap limits and compliance with liquidity ratios as well as results of stress tests are presented to ALCO on a monthly basis and to the RC on a quarterly basis. It may be noted that as at December 31, 2017, the Bank maintained Liquidity Coverage Ratio ("LCR") of 233% against a regulatory minimum of 100%.

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 Bank’s Senior Management.

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

The BGRC members do not hold any executive position with the Bank. The BGRC comprises of members who chair the Audit and Conduct Review Committees of the Bank.

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, 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 three or more years. 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 three years or more 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. The BGRC reviews and evaluates the levels for grant under the ESOS program. The ESOS program is approved by the shareholders of ICICI Bank Limited.

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.

The audited financial statements of the Bank also contain the requisite disclosures in respect of the remuneration paid to the key management personnel ("KMP"). KMP are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, and comprise the directors of the Bank, the Chief Executive Officer ("CEO") and all direct reports of the CEO. The definition of KMP in IAS 24 Related Party Disclosures, specifies a role and is not limited to a person. KMP include directors (both executive and non-executive) and other members of the management team with significant authority and responsibility for planning, directing and controlling the Bank's activities.

The following table summarizes the compensation paid to the KMP in respect of short-term and other post-employment benefits, during the year ended December 31, 2017:

	Amount in 000s CAD	
	2017	2016
Short-term employee benefits	2,732	2,279
Post-employee benefits	164	160
Total	2,896	2,439

In addition, personnel expenses include the cost of stock options granted to employees of the Bank, primarily KMP, under the Employee Stock Option Plan of the Parent. During the year ended December 31, 2017, an amount of \$1,273 (2016 - \$1,228) has been expensed as employee benefits and recorded as paid-in-capital.