The Offering

Issuer	ICICI Bank Limited, a public limited company incorporated under the laws of the Republic of India ("**ICICI Bank**").
Notes Offered	6.375% Fixed to Floating Rate Subordinated Notes due April 30, 2022 issued by ICICI Bank in an aggregate principal amount of US$ 750,000,000 (the "**notes**").
Maturity	The notes will mature on April 30, 2022 (the "**Maturity Date**").
Trustee	The Bank of New York
Interest	Interest will be payable on the outstanding principal amount of the notes from January 12, 2007 (the "**Issue Date**") (i) semi-annually in arrears on April 30 and October 31 of each year, at a fixed rate per annum equal to 6.375%, during the period from (and including) the Issue Date to (but excluding) April 30, 2017, and (ii) thereafter semi-annually in arrears on April 30 and October 31 of each year, at a variable rate per annum equal to the 6-month LIBOR plus a margin of 2.28%. The first payment of interest will be made on April 30, 2007 in respect of the period from (and including) the Issue Date to (but excluding) April 30, 2007. See "Description of the Notes—Interest". Each such date is an "**Interest Payment Date**".

Each period from and including an Interest Payment Date or the Issue Date, as applicable, to but excluding the next Interest Payment Date until April 30, 2017 is called a "**Fixed Interest Period**". The period from and including April 30, 2017, to but excluding the next following Interest Payment Date, and each successive period from and including an Interest Payment Date to, but excluding, the Maturity Date is called a "**Floating Interest Period**". Each Fixed Interest Period and Floating Interest Period is referred to as an "**Interest Period**".

If and to the extent that, on any Interest Payment Date, ICICI Bank has:

- a Capital Deficiency (as defined below), then ICICI Bank shall not pay any principal or interest on such date and (i) with respect to any Interest Payment Date other than the Maturity Date, the interest payable on such date shall be deferred until the next succeeding date on which interest is payable under the notes, and (ii) with respect to the Maturity Date, any interest (including Interest Arrears and Additional Interest (each as defined below)) and principal payable on such date shall be deferred until the Compulsory Payment Date (as defined below); or
- a Net Loss (as defined below) or increase in Net Loss without a Capital Deficiency, then ICICI Bank shall not pay any principal or interest on such date except that it may pay interest with the prior approval of the Reserve Bank of India ("**RBI**") and, in the event that the RBI does not grant approval for payment of interest (i) with respect to any Interest Payment Date other than the

Maturity Date, the interest payable on such date shall be deferred until the next succeeding date on which interest is payable under the notes, and (ii) with respect to the Maturity Date, any interest (including Interest Arrears and Additional Interest (each as defined below)) and principal payable on such date shall be deferred until the Compulsory Payment Date (as defined below).

"**Capital Deficiency**" means, for any Interest Payment Date, that ICICI Bank determines that its capital to risk assets ratio ("**CRAR**") has declined below the minimum regulatory requirement prescribed by the RBI from time to time, (i) as at the immediately preceding March 31 in the case of the Interest Payment Date in April and (ii) as at the immediately preceding September 30 in the case of the Interest Payment Date in October.

"**Compulsory Payment Date**" means, in the case of principal and interest (including Interest Arrears and Additional Interest), a date after the Maturity Date following deferral of the payment of principal and interest which is one business day after the first date on which ICICI Bank determines that it has (i) neither a Capital Deficiency nor a Net Loss or (ii) no Capital Deficiency, but a Net Loss or increase in Net Loss and has received approval from the Reserve Bank of India to make the payment of principal and interest, provided that any such payment will not cause ICICI Bank to have a Capital Deficiency or in the case of (i) a Net Loss.

"**Net Loss**" means, for any Interest Payment Date, a determination made by ICICI Bank as per (a) unconsolidated Indian GAAP financial statements that it has either (i) a negative balance reported in the balance in the profit and loss account line item in its Balance Sheet, or (ii) a net loss reported in its profit and loss account, as at and for the 12 month period ended on the immediately preceding March 31 in the case of the Interest Payment Date in April or as at and for the six month period ended on the immediately preceding September 30 in the case of the Interest Payment Date in October, or (b) regulations or guidelines prescribed by Reserve Bank of India from time to time in this regard. In case of any conflict between the determination made under (a) and (b) hereinabove, the determination made under (b) shall prevail.

If, as a consequence of a Capital Deficiency or a Net Loss, ICICI Bank shall not pay principal or interest on an Interest Payment Date then, no later than the 5th day prior to the relevant Interest Payment Date, it shall deliver to the Trustee a notice indicating the existence of such Capital Deficiency or Net Loss and that it will as a consequence thereof not pay principal or interest on such Interest Payment Date (a "**Payment Suspension Notice**"). A Payment Suspension Notice will have no force or effect unless ICICI Bank has delivered it to the Trustee in accordance herewith.

Interest on the notes will be cumulative. This means that, if interest is not paid on the notes on any Interest Payment Date, holders of the notes will have the right to receive those interest payments on the next succeeding date on which interest is payable under the notes.

In the event that ICICI Bank determines there is a Net Loss without a Capital Deficiency for any Interest Payment Date, ICICI Bank shall apply to the RBI for permission to pay interest which would otherwise be due on such Interest Payment Date. If the RBI grants such permission, notwithstanding any prior delivery of a Payment Suspension Notice in relation to such Interest Payment Date, ICICI Bank shall, subject to compliance with such conditions as may be stipulated by the RBI while granting its approval, proceed to pay the interest due on such Interest Payment Date, either (i) on such Interest Payment Date, if approval from the RBI is received in advance thereof, or (ii) within 1 business day of receipt of the approval from the RBI if such approval is received after the date which is 1 business day prior to the relevant Interest Payment Date.

In the event that any interest in respect of the notes is not paid on an Interest Payment Date (any such amount, "**Interest Arrears**"), such Interest Arrears shall bear interest ("**Additional Interest**") from the Interest Payment Date on which the interest first became due to (and including) the actual date of payment. Additional Interest shall be calculated at the interest rate payable on the notes. Additional Interest accrued to any Interest Payment Date shall be added, for the purpose only of calculating the Additional Interest accruing thereafter, to the amount of Interest Arrears remaining unpaid on such Interest Payment Date.

Dividend and Capital Restriction . . . . So long as any Interest Arrears or Additional Interest thereon remain unpaid, ICICI Bank will not (i) other than to the holders of Existing Preference Shares to the extent permissible and subject to prevailing Indian laws, declare or pay any dividend, distribution or other payment in respect of its Ordinary Shares, any other security or obligation of ICICI Bank ranking junior to the notes, or any Other *Pari Passu* Claims (other than as required under the terms of any preference shares or other security or obligation ranking junior to the notes (but not including Ordinary Shares) or Other *Pari Passu* Claims), or (ii) other than as required under the terms of such security or obligation, effect any repurchase or redemption of any of its Ordinary Shares, any other security or obligation of ICICI Bank ranking junior to the notes or any Other *Pari Passu* Claims, (or contribute any moneys to a sinking fund for the redemption of any such shares, securities or claims).

"**Ordinary Shares**" means ordinary shares of ICICI Bank.

"**Existing Preference Shares**" means the three hundred fifty 0.001% preference shares of Rs. 10,000,000 each of ICICI Bank allotted as fully paid preference shares to preference shareholders of erstwhile ICICI Limited, redeemable at par on April 20, 2018.

Subordination	The payment obligations of ICICI Bank under the notes constitute unsecured subordinated obligations of ICICI Bank and will rank (i) behind (junior to) the claims of holders of Senior Indebtedness, (ii) *pari passu* with Other *Pari Passu* Claims and (iii) before (senior to) (x) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the notes, (y) the claims of holders of preference and equity shares of ICICI Bank and (z) the claims of investors in instruments eligible for inclusion in Tier I capital of ICICI Bank, in accordance with the subordination provisions of the Indenture. "**Other *Pari Passu* Claims**" means claims of creditors of ICICI Bank which are subordinated so as to rank *pari passu* with claims in respect of the notes. "**Senior Indebtedness**" means all deposits and other senior liabilities of ICICI Bank (including those in respect of bonds, notes and debentures), and debt instruments constituting "lower Tier II" capital of ICICI Bank from time to time, other than liabilities of ICICI Bank under the notes. For the avoidance of doubt, Senior Indebtedness shall not include any other debt securities of ICICI Bank which qualify for Upper Tier II treatment under the RBI guidelines.
Additional Amounts	All payments of principal and interest in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges imposed by a Taxing Jurisdiction, unless such withholding or deduction is required by law. In the event ICICI Bank is required by law to withhold or deduct amounts for any such taxes or other governmental charges, ICICI Bank will pay such additional amounts so that the holders of the notes will receive the same amounts as they would have received without such withholding or deduction, subject to certain exceptions. ICICI Bank will pay any stamp, administrative, court, documentary, excise or property taxes imposed on the initial issuance and delivery of the notes in a Taxing Jurisdiction and will indemnify the holders of the notes for any such taxes paid by the holders of the notes, excluding any such duties or taxes which may relate to any transfer or transmission of the notes following their initial issuance and delivery by us. See "Description of the Notes—Additional Amounts." "**Taxing Jurisdiction**" means India, or any political subdivision thereof or any authority or agency therein or thereof having the power to tax, or any other jurisdiction or any political subdivision or any authority or agency therein or thereof having the power to tax to which ICICI Bank becomes subject in respect of payments made by it of principal or interest on the notes.
Optional Redemption	The Notes are not redeemable at the option of the holders thereof at any time and are not redeemable at the option of ICICI Bank prior to

	April 30, 2017 (the "**First Call Date**"), except in certain circumstances in the event of certain changes in withholding taxes (see "Description of Notes—Optional Tax Redemption") or upon the occurrence of a Regulatory Event (see "Description of the Notes—Redemption Upon a Regulatory Event").
	The notes may be redeemed at the option of ICICI Bank, in whole (and not in part), on the First Call Date or on any subsequent Interest Payment Date; *provided* that ICICI Bank will give notice to holders of notes not less than 15 business days but not more than 30 business days prior to any such redemption. This notice will be published in accordance with the notice provisions described under "Description of the Notes—Notices".
	The redemption price for any redemption of the notes will be 100% of the principal amount of the notes then outstanding, plus Interest Arrears (if any) and Additional Interest (if any) on the principal amount being redeemed to (but excluding) the redemption date (the "**Base Redemption Price**").
	Any optional redemption of notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI. The RBI, whilst considering the request of ICICI Bank to so redeem the notes, may take into consideration, among other things, ICICI Bank's CRAR position both at the time of the proposed redemption and thereafter.
Optional Tax Redemption	In the event ICICI Bank determines that, as a result of certain changes in or amendments to the laws or regulations of a Taxing Jurisdiction (as defined above) ICICI Bank has been or will be required to pay additional amounts as described under "Description of the Notes—Additional Amounts," ICICI Bank may, at its option, but subject to approval by the Reserve Bank of India, redeem the notes at a redemption price equal to the Base Redemption Price. See "Description of the Notes—Optional Tax Redemption".
Redemption Upon a Regulatory Event	Upon the occurrence of a Regulatory Event, and subject to the conditions (see "Description of the Notes"), ICICI Bank, upon the receipt of prior permission from the RBI, will have the right to redeem the notes in whole (and not in part) at a redemption price equal to (A) in the case of redemption prior to April 30, 2017, the higher of the Base Redemption Price and the Make Whole Amount (as defined herein), or (B) in the case of a redemption on or after April 30, 2017, the Base Redemption Price.
	"**Regulatory Event**" means the receipt by ICICI Bank of an opinion, declaration, rule or decree of the RBI or any other regulatory or

governmental authority succeeding to the authority of the RBI as regards monitoring of capital adequacy of Indian banks, to the effect that there has been either (i) a change in the law or regulation or (ii) a change in the interpretation thereof, resulting in more than an insubstantial risk that the notes (or any portion thereof) will not be eligible to be included in calculating the Upper Tier II capital of ICICI Bank, other than as a result of such notes exceeding the permitted basket for notes eligible for inclusion as Upper Tier II capital.

Form and Denomination . . . . The notes will be in fully registered form without interest coupons attached. The notes sold in reliance on Rule 144A under the Securities Act ("**Rule 144A**") will be issued in the form of a restricted global note (the "**Restricted Global Note**") and the notes sold in reliance on Regulation S under the Securities Act ("**Regulation S**") will be issued in the form of a Regulation S global note (the "**Regulation S Global Note**"). The Restricted Global Note and the Regulation S Global Note will be registered in the name of Cede & Co. as nominee for, and deposited with the trustee as custodian for, DTC. The notes offered and sold in reliance on Rule 144A will be issued in minimum denominations of US$ 100,000 and integral multiples of US$ 1,000 in excess thereof. Notes offered and sold in reliance on Regulation S will be issued in minimum denominations of US$ 100,000 and integral multiples of US$ 1,000 in excess thereof. See "Form, Denomination and Transfer."

Use of Proceeds . . . . ICICI Bank will use the proceeds of the issue and sale of the notes to support growth of ICICI Bank and its subsidiaries, to increase the Upper Tier II capital of ICICI Bank and for general corporate purposes, including to pay certain expenses relating to the offering.

Resale Restrictions . . . . The notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except in a transaction pursuant to the exemption provided by Regulation S, Rule 144A or such other available exemption from the registration requirements of the Securities Act. The notes may be transferred only as described under "Transfer Restrictions".

Substitution of Entity or Branch . . . . . ICICI Bank may at any time, subject to any regulatory approvals as may be required, elect to have the liability to pay the amounts due under the terms of the notes transferred, in whole or in part, to an entity controlled by ICICI Bank or a branch of ICICI Bank other than the Issuer. Any such transfer to an entity might be deemed for U.S. federal income tax purposes to be an exchange of the notes for new notes by the holders thereof, resulting in the recognition of taxable gain or loss for such purposes and possibly certain other adverse tax consequences.

Listing and Trading . . . . Approval-in-principle has been obtained for listing of the notes on the Singapore Exchange. The approval-in-principle for the listing, and the admission to the Official List of the Singapore Exchange, of the notes

	is not to be taken as an indication of any of the merits of ICICI Bank or the merits of the notes. The notes will be traded on the Singapore Exchange in a minimum board lot size of US$ 200,000 for so long as the notes are listed on the Singapore Exchange.
Clearance and Settlement	The notes will be issued in book-entry form through the facilities of DTC, on the one hand and Euroclear and Clearstream, Luxembourg, on the other, each with respect to their respective participants. Holders of beneficial interests in notes held in book-entry form will be entitled to receive physical delivery of certificated notes only under certain circumstances. For a description of certain factors relating to clearance and settlement, see "Form, Denomination and Transfer."
Governing Law	The Indenture, the notes and the Calculation Agency Agreement are governed by the laws of the State of New York, United States of America, except that the subordination provisions of the Indenture and the notes are governed by the laws of India.

Security Codes

	Rule 144A	Regulation S
ISIN	US45104GAE44	USY38575DE68
CUSIP	45104GAE4	Y38575DE6
Common Code	028219539	028219628

RISK FACTORS

Prospective investors should carefully consider the risks described below, together with the risks described in the other sections of this offering memorandum before making any investment decision relating to our notes. The occurrence of any of the following events could have a material adverse effect on our business including our ability to grow our asset portfolio, the quality of our assets, our liquidity, our financial performance, our stockholders' equity, our ability to implement our strategy and our ability to repay the interest or principal on the note in a timely fashion or at all.

Before making an investment decision, prospective investors should carefully consider all of the information contained in this offering memorandum, including the financial statements included in this offering memorandum.

Risks Relating to India

A slowdown in economic growth or rise in interest rates in India could cause our business to suffer.

Any slowdown in the Indian economy or volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles and agricultural sectors could adversely impact our business. Since 2004, interest rates in the Indian economy have increased significantly. Slowdown in demand for loans from corporate customers, retail customers and customers in the agricultural sector, including due to higher interest rates, could adversely impact our business.

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

India imports approximately 70.0% of its requirements of crude oil, which were approximately 31.3% of total imports in fiscal 2006. For example, the sharp increase in global crude oil prices during fiscal 2001 adversely affected the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the Reserve Bank of India. Since 2004, there has been a sharp increase in global crude oil prices due to both increased demand and pressure on production and refinery capacity, and political and military tensions in key oil-producing regions. The full burden of the oil price increase has not been passed to Indian consumers and has been substantially absorbed by the government and government-owned oil marketing companies. While global crude prices have moderated recently, sustained high levels, further increases or volatility of oil prices and the pass-through of increases to Indian consumers could have a material negative impact on the Indian economy and the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit.

A significant change in the Indian government's economic liberalization and deregulation policies could adversely affect our business and the price of our notes.

Our assets and customers are predominantly located in India. The Indian government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India and our business.

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

The Indian economy is influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. We have also established operations in several other countries. A loss of investor confidence in the financial systems of other emerging markets and countries where we have established operations or any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector and our business.

If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business and the price of our notes could be adversely affected.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In the past, there have been military confrontations between India and Pakistan. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and adversely affect our business.

Trade deficits could adversely affect our business and the price of our notes.

India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, the Indian economy, and therefore our business, could be adversely affected.

Natural calamities could adversely affect the Indian economy, our business and the price of our notes.

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in fiscal 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions in the economy during fiscal 2003, the agricultural sector recorded a negative growth of 7.0%. Also, the erratic progress of the monsoon in fiscal 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agricultural sector from 9.6% in fiscal 2004 to 0.7% in fiscal 2005. The agricultural sector grew by 3.9% in fiscal 2006 and by 2.6% in the first half of fiscal 2007. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and our business, especially in view of our strategy of increasing our exposure to rural India.

Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our notes.

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business. See also "Overview of the Indian Financial Sector". As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. For example, in April 2003, unsubstantiated rumors, believed to have originated in Gujarat, a state in India, alleged that we were facing liquidity problems. Although our liquidity position was sound, we witnessed higher than normal deposit withdrawals on account of these unsubstantiated rumors for several days in April 2003. We successfully controlled the situation in this instance, but any failure to control such situations in the future could result in high volumes of deposit withdrawals which would adversely impact our liquidity position.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact us.

A decline in India's foreign exchange reserves could result in reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business. See also "—Risks Relating to Our Business".

Any downgrading of India's debt rating by an international rating agency could adversely affect our business and our liquidity.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business and limit our access to capital markets and decrease our liquidity.

Uncertain enforcement of civil liabilities.

We are incorporated under the laws of India and all of our directors and executive officers reside outside the United States. In addition, a substantial portion of our assets are located outside the United States. As a result, you may be unable to:

- effect service of process within the United States upon us and other persons or entities; or
- enforce in the U.S. courts judgments obtained in the U.S. courts against us and other persons or entities, including judgments predicated upon the civil liability provision of the federal securities laws of the United States.

The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States for civil liability, whether or not predicated solely upon the general securities laws of the United States, would not be enforceable in India.

However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States within three years of obtaining such final judgment. If and to the extent that Indian courts were of the opinion that fairness and good faith so required, they would, under current practice, give binding effect to the final judgment which had been rendered in the United States, unless such a judgment contravened principles of public policy of India. It is unlikely that an Indian court would award damages on the same basis as a foreign court if an action is brought in India. Moreover, it is unlikely that an Indian court would award damages to the extent awarded in a final judgment rendered in the United States if it believed that the amount of damages awarded were excessive or inconsistent with Indian practice. In addition, any person seeking to enforce a foreign judgment in India is required to obtain prior approval of the Reserve Bank of India to execute such a judgment or to repatriate any amount recovered. For more information, see "Enforceability of Civil Liabilities" in this offering memorandum.

Risks Relating to Our Business

Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance.

As a result of certain reserve requirements of the Reserve Bank of India, we are more structurally exposed to interest rate risk than banks in many other countries. See "Supervision and Regulation—Legal Reserve Requirements". These requirements result in our maintaining a large portfolio of fixed income Government of India securities, and we could be materially adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. These requirements also have a negative impact on our net interest income and net interest margin because we earn interest on a portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets. If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. We are also exposed to interest rate risk through our treasury operations and our subsidiary, ICICI Securities, which is a primary dealer in Government of India securities. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations or the value of our fixed income securities trading portfolio. Sharp and sustained increases in the rates of interest charged on floating rate home loans, which are a material proportion of our loan portfolio, would result in extension of loan maturities and higher monthly installments due from borrowers, which could result in higher rates of default in this portfolio.

A large proportion of ICICI's loans consisted of project finance assistance, a substantial portion of which is particularly vulnerable to completion and other risks.

Long-term project finance assistance was a significant proportion of ICICI's asset portfolio and continues to be a part of our loan portfolio. The viability of these projects depends upon a number of factors, including market demand, government policies and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including completion risk and counterparty risk, which could adversely impact their ability to generate revenues. We cannot be sure that these projects will perform as anticipated. In the past, we experienced a high level of default and restructuring in our project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Future project finance losses or high levels of loan restructuring could have a materially adverse effect on our profitability and the quality of our loan portfolio.

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

Our loan portfolio and non-performing asset portfolio have a high concentration in certain customers and sectors. See "Business—Asset Composition and Classification—Loan Concentration". In the past, certain of these borrowers and sectors have been adversely affected by economic conditions in varying degrees. Credit losses or financial difficulties of these borrowers and sectors in the future could adversely affect our business, our financial performance, our shareholders' equity and the price of our notes.

If we are not able to control the level of non-performing assets in our portfolio, our business will suffer.

We have experienced rapid growth in our retail loan portfolio. See "Business—Asset Composition and Classification—Loan Concentration". Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition could cause an increase in the level of non-performing assets on account of these retail loans and have a material adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of the Reserve Bank of India, we are required to extend 50.0% of our residual net bank credit (excluding the advances of ICICI at year-end fiscal 2002) to certain eligible sectors, which are categorized as "priority sectors". See "Business—Asset Composition and Classification—Loan Concentration—Directed Lending". We may experience a significant increase in non-performing assets in our directed lending portfolio, particularly loans to the agricultural sector and small-scale industries, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any change by the Reserve Bank of India in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in non-performing assets in the directed lending portfolio. We may not be able to control or reduce the level of non-performing assets in our project and corporate finance portfolio. We may not be successful in our efforts to improve collections and foreclose on existing non-performing assets. We also have investments in security receipts arising out of the sale of non-performing assets by us to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India. See "Business—Asset Composition and Classification". There can be no assurance that Asset Reconstruction Company (India) Limited will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments.

If we are not able to control or reduce the level of non-performing assets, the overall quality of our loan portfolio may deteriorate and our business may be adversely affected.

Further deterioration of our non-performing asset portfolio and an inability to improve our provisioning coverage as a percentage of gross non-performing assets could adversely affect the price of our notes.

Although we believe that our total provisions will be adequate to cover all known losses in our asset portfolio, there can be no assurance that there will be no deterioration in the provisioning coverage as a percentage of gross non-performing assets or otherwise or that the percentage of non-performing assets that we will be able to recover will be similar to our and ICICI's past experience of recoveries of non-performing assets. In the event of any further deterioration in our non-performing asset portfolio, there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our notes.

The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss.

A substantial portion of our loans to corporate and retail customers are secured by collateral. See "Business—Asset Composition and Clarification—Classification of Assets—Non-Performing Asset Strategy". We may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and other factors, including legislative changes and judicial pronouncements. Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our business.

The failure of our restructured loans to perform as expected or a significant increase in the level of restructured loans in our portfolio could affect our business.

Our standard assets include restructured standard loans. Our borrowers' requirements to restructure their loans can be attributed to several factors, including increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. These factors reduced profitability for certain of our borrowers and also resulted in the restructuring of certain Indian companies in sectors including iron and steel, textiles and cement. The failure of these borrowers to perform as expected or a significant increase in the level of restructured assets in our portfolio could adversely affect our business, our future financial performance, our shareholders' equity and the price of our notes.

We face greater credit risks than banks in developed economies.

Our credit risk is higher because most of our borrowers are based in India. Unlike several developed economies, a nationwide credit bureau has become operational in India only recently. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the greater uncertainty in the Indian regulatory, political, economic and industrial environment and the difficulties of many of our corporate borrowers to adapt to global technological advances. Also, several of our corporate borrowers suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy at the time of their financing, and other factors. This may lead to an increase in the level of our non-performing assets and there could be an adverse impact on our business, our future financial performance, our shareholders' equity and the price of our notes.

Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected.

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI (which generally had longer maturities), are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating the potential for funding mismatches. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches, which requires the approval of the Reserve Bank of India. In September 2005, the Reserve Bank of India replaced the existing system of granting authorisations for opening individual branches with a system of giving aggregated approvals covering both branches and existing non-branch channels like ATMs, on an annual basis. While we have recently received the Reserve Bank of India's authorizations for establishing new branches and additional off-site ATMs, there can be no assurance that these authorizations or future authorizations granted by the Reserve Bank of India will meet our requirements for branch expansion to achieve the desired growth in our deposit base. High volumes of deposit withdrawals or failure of a substantial number of our depositors to roll over deposited funds upon maturity or to replace deposited funds with fresh deposits as well as our inability to grow our deposit base, could have an adverse effect on our liquidity position, our business, our future financial performance, our stockholders' equity and the price of our notes. See also "—Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our notes".

We are subject to legal and regulatory risk which may adversely affect our business.

We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitization, investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities.

Failure to comply with applicable regulations in various jurisdictions, including unauthorized actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and ensuing inquiries or investigations by regulatory and enforcement authorities, has resulted, and may result in regulatory action including financial penalties and restrictions on or suspension of the related business operations. For example, in fiscal 2006, the Reserve Bank of India imposed a penalty of Rs. 0.5 million (US$ 10,881) on us in connection with our role as collecting bankers in certain public offerings of equity by companies in India.

In addition, a failure to comply with the applicable regulations in various jurisdictions by our employees, representatives, agents and third party service providers, either in or outside the course of their services, or suspected or perceived failures by them, may result in inquiries or investigations by regulatory and enforcement authorities, in regulatory or enforcement action against either us or such employees, representatives, agents and third party service providers or both and such actions may, amongst other consequences, impact our reputation, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, lead to additional costs, penalties, claims and expenses being incurred by us or impact adversely on our ability to conduct business owing to implications on business continuity, possible distraction, lack of proper attention or time by such employees, representatives, agents and third party service providers to their official roles and duties, or suspension or termination by us of their services and having to find suitable replacements apart from personal liability, financial or other penalties and restrictions that may be imposed on or suffered by them, including personal liability for criminal violation.

If we fail to manage our legal and regulatory risk in the many jurisdictions in which we operate, including some or all of the compliance failures, our business could suffer, our reputation could be harmed and we would be subject to additional legal risk. This could, in turn, increase the size and number of claims and damages asserted against us or subject us to regulatory investigations, enforcement actions or other proceedings, or lead to increased regulatory or supervisory concerns. We may also be required to spend additional time and resources on any remedial measures which could have an adverse effect on our business.

Despite our best efforts to comply with all applicable regulations, there are a number of risks that cannot be completely controlled. Our rapid international expansion has led to increased risk in this respect. Regulators in every jurisdiction in which we operate or have listed our notes have the power to bring administrative or judicial proceedings against us (or our employees, representatives, agents and third party service providers), which could result, among other things, in suspension or revocation of one or more of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

We cannot predict the timing or form of any current or future regulatory or law enforcement initiatives, which we note are increasingly common for international banks, but we would expect to cooperate with any such regulatory investigation or proceeding.

Regulatory changes in India or other jurisdictions in which we operate could adversely affect our business.

The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions in which we operate may change at any time and may have an adverse effect on the products or services we offer, the value of our assets or our business in general. In its mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India increased the risk weight for the computation of capital adequacy from 50% to 75% in the case of housing loans and from 100% to 125% in the case of consumer credit (including personal loans and credit cards) as a temporary counter-cyclical measure. In July 2005, the Reserve Bank of India increased the risk weight for capital market exposure and exposure to commercial real estate from 100% to 125%. In October 2005, in its mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India increased the requirement of general provisioning for standard advances from 0.25% to 0.40% except direct advances to agriculture and small and medium enterprise sectors. In February 2006, the Reserve Bank of India issued its final guidelines on securitization of standard assets under which we are, in respect of transactions after February 1, 2006, required to maintain higher capital for credit enhancement and also amortize the profit on securitization over the life of the related loans. In April 2006, the Reserve Bank of India increased the requirement of general provisioning for certain categories of advances from 0.40% to 1.00% and also increased the risk weight on exposures to commercial real estate from 125.0% to 150.0%. In its mid term review of the annual policy statement announced in October 2006, the Reserve Bank of India increased the repo rate by 25 basis points from 7.0% to 7.25%. In December 2006, the Reserve Bank of India increased the cash reserve ratio by 50 basis points from 5.0% to 5.5%. Similar changes in the future could have an adverse impact on our capital adequacy and profitability. Pursuant to the recent amendment to the Reserve Bank of India Act, no interest is payable on cash reserve ratio balances, on which interest was hitherto paid by the Reserve Bank of India. Any change by the Reserve Bank of India in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in non-performing assets in the directed lending portfolio.

We have experienced rapid international growth in the last three years which has increased the complexity of the risks that we face.

Until very recently, we operated only in India. Beginning in fiscal 2004, we began a rapid international expansion opening banking subsidiaries in the United Kingdom, Canada and Russia and branches in Hong Kong, Bahrain, Singapore, Sri Lanka and Dubai and representative offices in several countries. As of the six months ended September 30, 2006, the assets of these banking subsidiaries and branches constituted approximately 16% of the consolidated assets of ICICI Bank and its banking subsidiaries. In addition, we have substantially expanded, in a number of jurisdictions, our services to non-resident Indians for the remittance of funds to India.

This rapid international expansion into banking in multiple jurisdictions exposes us to a new variety of regulatory and business challenges and risks, including cross-cultural risk and has increased the complexity of our risks in a number of areas including currency risks, interest rate risks, compliance risk, regulatory and reputational risk and operational risk. See also "We are subject to legal and regulatory risk which may adversely affect our business". The skills required for this business could be different from those required for our Indian business and we may not be able to attract the required talented professionals. If we are unable to manage these risks, our business could be adversely affected.

A determination against us in respect of disputed tax assessments may adversely impact our financial performance.

We have been assessed a significant amount in additional taxes by the Government of India's tax authorities in excess of our provisions. See "Business—Legal and Regulatory Proceedings". We have appealed all of these demands. While we expect that no additional liability will arise out of these disputed demands, there can be no assurance that these matters will be settled in our favor or that no further liability will arise out of these demands. Any additional tax liability may adversely impact our financial performance and shareholders' equity.

We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our stockholders' equity and the price of our notes.

We are often involved in litigations for a variety of reasons, which generally arise because we seek to recover our dues from borrowers or because customers seek claims against us. The majority of these cases arise in the normal course and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance or shareholders' equity. Where we assess that there is a probable risk of loss, it is our policy to make provisions for the loss. However, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. See "Business—Legal and Regulatory Proceedings". We cannot guarantee that the judgments in any of the litigation in which we are involved would be favorable to us. If our assessment of the risk changes, our view on provisions will also change.

Our rapid retail expansion in India, our rural initiative and our insurance ventures expose us to increased risk that may adversely affect our business.

We have experienced rapid growth in our retail loan portfolio. Our joint ventures in life insurance and general insurance have experienced rapid growth in their business volumes. Our branch network has also significantly expanded and we are entering into new, smaller second tier cities within India as part of this growth strategy. In addition, we are now beginning a rural initiative designed to bring our products and services into many rural areas. This rapid growth of the retail loan business and the insurance businesses as well as the rural initiative exposes us to increased risks within India including the risk that our impaired loans may grow faster than anticipated, the risk that we may not be able to raise the substantial capital required for these businesses, increased operational risk, increased fraud risk and increased regulatory and legal risk. See also "We are subject to legal and regulatory risk which may adversely affect our business".

If we are not able to integrate any future acquisitions, our business could be disrupted.

We may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by RBI. On December 9, 2006, our board of directors and the board of directors of The Sangli Bank Limited, or Sangli Bank, an unlisted private sector bank, approved an all-stock amalgamation of Sangli Bank with us. At year-end fiscal 2006, Sangli Bank had total assets of Rs. 21.51 billion, total deposits of Rs. 20.04 billion, total loans of Rs. 8.88 billion and total capital adequacy of only 1.6%. In fiscal 2006, it incurred a loss of Rs. 0.29 billion. The amalgamation is subject to the approval of the shareholders of both banks and the Reserve Bank of

India and there can be no assurance that such approval will be received. This and any future acquisitions or mergers may involve a number of risks, including deterioration of asset quality, diversion of our management's attention required to integrate the acquired business and the failure to retain key acquired personnel and clients, leverage synergies or rationalise operations, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on our business.

We are exposed to fluctuations in foreign exchange rates.

As a financial intermediary we are exposed to exchange rate risk. See "Risk Management—Quantitative and Qualitative Disclosures About Market Risk—Exchange Rate Risk". Adverse movements and volatility in foreign exchange rates may adversely affect our borrowers, the quality of our exposure to our borrowers and our business.

Our business is very competitive and our growth strategy depends on our ability to compete effectively.

Within the Indian market, we face intense competition from Indian and foreign commercial banks in all our products and services. Foreign banks also operate in India through non-banking finance companies. Further liberalization of the Indian financial sector could lead to a greater presence or new entries of foreign banks offering a wider range of products and services, which would significantly toughen our competitive environment. In addition, the Indian financial sector may experience further consolidation, resulting in fewer banks and financial institutions, some of which may have greater resources than us. The Government of India has indicated its support for consolidation among government-owned banks. The Reserve Bank of India has announced a road map for the presence of foreign banks in India that would, after a review in 2009, allow foreign banks to acquire up to a 74.0% shareholding in an Indian private sector bank. See "Business—Competition" and "Overview of the Indian Financial Sector—Commercial Banks—Foreign Banks". Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business.

In our international operations we also face intense competition from the full range of competitors in the financial services industry, both banks and non-banks and both Indian and foreign banks. We remain a small to mid-size player in the international markets and many of our competitors have resources much greater than our own.

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

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders. Physical or electronic break-ins, security breaches, other disruptive problems caused by our increased use of the Internet or power disruptions could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Although we have implemented security technology and operational procedures to prevent such occurrences, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business.

System failures could adversely impact our business.

Given the increasing share of retail products and services and transaction banking services in our total business, the importance of systems technology to our business has increased significantly. Our principal delivery channels include ATMs, call centers and the Internet. Any failure in our systems, particularly for retail products and services and transaction banking, could significantly affect our operations and the quality of our customer service and could result in business and financial losses.

There is operational risk associated with our industry which, when realized, may have an adverse impact on our business.

We, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. We use direct marketing associates for marketing our retail credit products. We also outsource some functions to other agencies. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as are we), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, like all banks we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future that may be material in amount, and our reputation could be adversely affected by the occurrence of any such events involving our employees, customers or third parties. For a discussion of how operational risk is managed, see "Business—Risk Management—Operational Risk".

We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our cost of funds.

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Our balance sheet growth will be dependent upon economic conditions, as well as upon our determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. Securitization is an important element of our funding and capital management strategy. The Indian securitization market is still evolving in terms of asset classes, participants and regulations and there can be no assurance of our continuing ability to securitize loan portfolios. In November 2006, CRISIL, an Indian credit rating agency, lowered the rating of a personal loan receivables pool, securitized by us, by two notches due to higher than anticipated utilization of the cash collateral stipulated at the initiation of the transaction. Our trading revenues and interest rate risk are dependent upon our ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. See also "—Further deterioration of our non-performing asset portfolio and an inability to improve our provisioning coverage as a percentage of gross non-performing assets, could adversely affect the price of our notes". The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also "—Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our notes". The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly longer-term and derivatives transactions, or retain our customers. This, in turn, could reduce our liquidity and negatively impact our operating results and financial condition. For more information relating to our ratings, see "Business—Quantitative and Qualitative Disclosures About Market Risk—Liquidity Risk".

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading.

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

Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. See "Business—Employees". Our inability to attract and retain talented professionals or the loss of key management personnel could have an adverse impact on our business.

If we are required to change our accounting policies with respect to the expensing of stock options, our earnings could be adversely affected.

We currently deduct the expense of employee stock option grants from our income based on the intrinsic value method and not on the fair value method. Had compensation costs for our employee stock options been determined in a manner consistent with the fair value approach, our profit after tax for the six months ended September 30, 2006 as reported would have been reduced to the pro forma amount of Rs. 13.30 billion (US$ 289 million) from Rs. 13.75 billion (US$ 300 million) and for fiscal 2006, to Rs. 24.88 billion (US$ 541 million) from Rs. 25.40 billion (US$ 553 million).

Risks Relating to the Notes

A public market may not develop for the notes.

Prior to this offering there has been no trading market in the notes. Approval-in-principle has been obtained for the listing of the notes on the Singapore Exchange, but we cannot assure you that the listing will be obtained. The Initial Purchasers have advised us that one or more of their affiliates currently intends to make a market in the notes. However, the Initial Purchasers' affiliates are not obligated to make markets in the notes and may discontinue this market-making activity at any time without notice. In addition, market-making activity by the Initial Purchasers' affiliates may be subject to limits imposed by applicable law. As a result, we cannot assure you that any market in the notes will develop or, if it does develop, it will be maintained. If an active market in the notes fails to develop or be sustained, you may not be able to sell the notes or may have to sell them at a lower price.

The notes will be unsecured and deeply subordinated obligations.

The notes will be unsecured and deeply subordinated obligations. The notes are not deposits and are not insured by any regulatory agency and they may not be used as collateral for any loan made by us. In the event of a winding up of our operations, your claims will be subordinated in right of payment to the prior payment in full of all of our other liabilities (whether actual or contingent, present or future) including all deposit liabilities and other liabilities and all of our offices and branches, except those liabilities which by their terms rank equal with or junior to the notes.

As a consequence of the subordination provisions, in the event of a winding up of our operations, you may recover less rateably than the holders of deposit liabilities or the holders of our other liabilities that rank senior to the notes. The notes, the Indenture and the Calculation Agency Agreement do not limit the amount of the liabilities ranking senior to the notes which may be hereafter incurred or assumed by us.

You will have limited rights of acceleration if amounts are due but not paid on the notes.

In the event of a default in payment on the notes, you will have no right to accelerate payments on the notes, except if a court order is made or an effective resolution is passed for our winding-up.

The notes may not qualify as Upper Tier II capital.

There is no guarantee that the notes will qualify as Upper Tier II capital under the regulations published by the Reserve Bank of India. See "Supervision and Regulation—Capital Adequacy Requirements". The failure of the notes to qualify as Upper Tier II capital due to any reason (including changes in laws, regulations or interpretations of the Reserve Bank of India or other government authorities) would adversely affect our capital adequacy ratio.

The rating of the notes may be lowered or withdrawn depending on some factors, including the rating agency's assessment of our financial strength and Indian sovereign risk.

It is a condition to the issuance of the notes that they be rated at least "Baa2" by Moody's or "BB-" by S&P. The rating addresses the likelihood of payment of principal on redemption and the timely payment of interest on each payment date. The rating of the notes is not a recommendation to purchase, hold or sell the notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in the rating of the notes will not be an event of default under the indenture. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of our financial strength as well as its assessment of Indian sovereign risk generally.

USE OF PROCEEDS

The net proceeds from the sale of the notes is approximately US$ 746,500,000 (after deducting fees, commissions and expenses) which we intend to use for general corporate purposes in accordance with any applicable rules or regulations.

CAPITALIZATION

The following table sets out our capitalization at September 30, 2006 derived from our audited unconsolidated financial statements prepared in accordance with Indian GAAP. For additional information, see our financial statements and accompanying schedules included elsewhere in this offering memorandum.

	As of September 30, 2006	
	(Rs. in billions)	(US$ in millions)
Borrowings[1]:		
Short-term debt[2]	183.63	3,996
Long-term debt[3]	332.38	7,234
Total debts (A)	**516.01**	**11,230**
Shareholders' funds:		
Share capital[4]	12.43	270
Reserves	226.57	4,931
Less : Unamortized deferred revenue expenditure[5]	0.69	15
Total shareholders' funds (B)	238.31	5,186
Total capitalization (A) + (B)	**754.32**	**16,416**
Capital adequacy:		
Tier I (%)	9.38%	
Tier II (%)	4.96%	
Total (%)	**14.34%**	

(1) Borrowings do not include deposits.
(2) Short-term debt is debt maturing within the next one year from the date of above statement, which includes bonds in the nature of subordinated debt (excluded from Tier II capital) of Rs. 5.56 billion.
(3) Includes Rs. 150.39 billion of unsecured redeemable debentures and bonds in the nature of subordinated debt eligible for inclusion in Tier II capital.
(4) Includes preference share capital of Rs. 3.50 billion.
(5) Unamortized expenses on account of the early retirement option scheme offered to the employees.
(6) We are raising funds simultaneously with this issue via a two-tranche bond issue out of our Bahrain branch in an aggregate amount of USD 1,250,000,000.

SELECTED FINANCIAL DATA

Our financial and other data for fiscal 2002 through fiscal 2006 and the six months ended September 30, 2005 and 2006 included in this offering memorandum have been derived from our unconsolidated financial statements prepared in accordance with generally accepted accounting principles in India, or Indian GAAP, guidelines issued by the Reserve Bank of India from time to time and practices generally prevailing in the banking industry in India. These financial statements do not include the results of operations of our subsidiaries and other consolidating entities. The principal subsidiaries whose results are not included are: ICICI Securities Limited, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Venture Funds Management Company Limited, ICICI Home Finance Company Limited, Prudential ICICI Asset Management Company Limited, ICICI Bank UK Limited, ICICI Bank Canada Limited and ICICI Bank Eurasia Limited Liability Company.

The financial statements for fiscal 2002 were audited by S. B. Billimoria & Co., Chartered Accountants, for fiscal 2003 jointly by N. M. Raiji & Co., Chartered Accountants and S. R. Batliboi & Co., Chartered Accountants and for fiscal 2004, 2005 and 2006 and the six months ended September 30, 2005 by S. R. Batliboi & Co., Chartered Accountants and for the six months ended September 30, 2006 by BSR & Co., Chartered Accountants. You should read the following discussion and analysis of our selected financial and operating data with the more detailed information contained in our audited unconsolidated financial statements. The following discussion is based on our audited unconsolidated financial statements and accompanying notes prepared in accordance with Indian GAAP, while the financial information in our annual reports on Form 20-F for the fiscal year 2006 is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP with the net income and stockholders' equity reconciled to US GAAP. Financial information in our annual report on Form 20-F for the fiscal years 2000 to 2005 filed with the SEC was prepared in accordance with US GAAP. US GAAP requires consolidation as a fundamental basis of accounting. For a discussion of the significant differences between Indian GAAP and US GAAP, see "Description of Certain Differences between Indian GAAP and US GAAP".

The amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with us was accounted for using the purchase method of accounting. The effective date of the amalgamation was May 3, 2002. However, the date of the amalgamation for accounting purposes under Indian GAAP was the Appointed Date under the Scheme of Amalgamation approved by the High Courts of Bombay and Gujarat and the Reserve Bank of India, which was March 30, 2002. Accordingly, our profit and loss account (hereinafter referred to as income statement) for fiscal 2002 includes the results of operations of ICICI, ICICI Personal Financial Services and ICICI Capital Services for only two days, i.e., March 30 and 31, 2002, although our balance sheet for fiscal 2002 reflects the full impact of the amalgamation. As a result of the above, the income statement for fiscal 2003 is not comparable with the income statements for fiscal 2002 and prior years.

Operating Results Data

The operating results data for the fiscal years 2003, 2004, 2005 and 2006 and the six months ended September 30, 2005 and September 30, 2006 are not comparable with the operating results data for fiscal 2002 due to the amalgamation.

	Year ended March 31,					Six months ended September 30,		
	2002	2003	2004	2005	2006	2005	2006	2006
	(Rupees in billions, except per share data)							(US$ in millions, except per share data)
Interest income								
Interest on advances[1]	Rs. 7.74	Rs. 61.73	Rs. 63.80	Rs. 71.22	Rs.102.07	Rs. 45.54	Rs. 72.27	US$ 1,573
Income on investments[2]	12.34	29.10	25.40	22.29	36.93	16.86	28.27	615
Interest on balances with Reserve Bank of India and other inter-bank funds and others	1.46	4.42	3.88	4.28	4.06	2.05	4.54	99
Total interest income	**Rs. 21.54**	**Rs. 95.25**	**Rs. 93.08**	**Rs. 97.79**	**Rs.143.06**	**Rs. 64.45**	**Rs.105.08**	**US$ 2,287**
Interest expense								
Interest on deposits	Rs.(13.89)	Rs.(24.80)	Rs.(30.23)	Rs.(32.52)	Rs. (58.37)	Rs.(26.29)	Rs. (53.38)	(1,162)
Interest on Reserve Bank of India/ inter-bank borrowings	(0.48)	(1.83)	(2.29)	(2.53)	(9.25)	(3.87)	(5.92)	(129)
Others (including interest on borrowings of ICICI)[3]	(1.22)	(52.81)	(37.63)	(30.66)	(28.35)	(13.90)	(15.26)	(332)
Total interest expense	**Rs.(15.59)**	**Rs.(79.44)**	**Rs.(70.15)**	**Rs.(65.71)**	**Rs. (95.97)**	**Rs.(44.06)**	**Rs. (74.56)**	**US$ 1,623**
Net interest income	**Rs. 5.95**	**Rs. 15.81**	**Rs. 22.93**	**Rs. 32.08**	**Rs. 47.09**	**Rs. 20.39**	**Rs. 30.52**	**US$ 664**
Non-interest income								
Commission, exchange and brokerage	Rs 2.30	Rs. 7.92	Rs. 10.72	Rs. 19.21	Rs. 30.02	Rs.12.52	Rs. 19.45	US$ 423
Profit/(loss) on sale of investments (net)	3.06	4.92	12.25	5.46	7.50	3.65	3.10	67
Profit/(loss) on foreign exchange transactions (net)	0.37	0.10	1.93	3.15	4.73	1.83	1.60	35
Profit/(loss) on revaluation of investments (net)	(0.15)	—	—	—	(0.54)	(0.07)	0.40	9
Lease income	0.11	5.37	4.21	4.08	3.61	1.74	1.30	28
Profit on sale of shares of ICICI Bank held by ICICI	—	11.91	—	—	—	—	—	—
Miscellaneous income[4]	0.06	1.37	1.54	2.26	4.51	2.35	2.63	58
Total non-interest income	**Rs. 5.75**	**Rs. 31.59**	**Rs. 30.65**	**Rs. 34.16**	**Rs. 49.83**	**Rs. 22.02**	**Rs. 28.48**	**US$ 620**
Total income	**Rs. 11.70**	**Rs. 47.40**	**Rs. 53.58**	**Rs. 66.24**	**Rs. 96.92**	**Rs. 42.41**	**Rs. 59.00**	**US$ 1,284**
Non-interest expense								
Operating expenses[5][6]	(5.97)	(15.35)	(19.98)	(25.17)	(35.47)	(15.87)	(22.37)	(487)
Direct marketing agency expense[1][7]	(0.15)	(3.19)	(5.99)	(8.55)	(11.77)	(5.11)	(7.18)	(156)
Depreciation on leased assets	(0.12)	(3.15)	(2.79)	(2.97)	(2.77)	(1.28)	(1.02)	(22)
Total non-interest expense	**Rs. (6.24)**	**Rs.(21.69)**	**Rs.(28.76)**	**Rs.(36.69)**	**Rs. (50.01)**	**Rs.(22.26)**	**Rs. (30.57)**	**US$ 665**
Operating profit before provisions	**Rs. 5.45**	**Rs. 25.71**	**Rs. 24.81**	**Rs. 29.56**	**Rs. 46.91**	**Rs. 20.15**	**Rs. 28.43**	**US$ 619**
Provisions and contingencies	(2.55)	(17.91)	(5.79)	(4.29)	(15.94)	(6.02)	(11.92)	(259)
Profit before tax	**Rs. 2.90**	**Rs. 7.80**	**Rs. 19.02**	**Rs. 25.27**	**Rs. 30.97**	**Rs. 14.13**	**Rs. 16.51**	**US$ 360**
Tax	(0.32)	4.26	(2.65)	(5.22)	(5.57)	(3.03)	(2.76)	(60)
Profit after tax	**Rs. 2.58**	**Rs. 12.06**	**Rs. 16.37**	**Rs. 20.05**	**Rs. 25.40**	**Rs. 11.10**	**Rs. 13.75**	**US$ 300**
Dividend per share	Rs. 2.00	Rs. 7.50	Rs. 7.50	Rs. 8.50	Rs. 8.50	—	—	—
Dividend tax per share	0.20	0.96	0.96	1.19	2.08	—	—	—
Earnings per share(basic)[8]	11.61	19.68	26.66	27.55	32.49	Rs. 15.02	Rs. 15.42	US$ 0.34
Earnings per share (diluted)[8]	11.61	19.65	26.44	27.33	32.15	14.87	15.30	0.33

(1) Interest on advances represents interest on rupee and foreign currency loans and advances (including bills) and hire purchase activity and gains on sell-down of loans. Effective April 1, 2006, the commissions paid to direct marketing agency expenses or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense. The direct marketing agency expenses include Rs. 0.01 billion for fiscal 2002, Rs. 1.57 billion for fiscal 2003, Rs. 3.06 billion for fiscal 2004, Rs. 3.69 billion for fiscal 2005, Rs. 5.22 billion for fiscal 2006 and Rs. 2.34 billion for the six months ended September 30, 2005 on account of commissions paid to direct marketing agency expenses or associates in connection with sourcing our automobile loans. Figures for the previous periods/years have been regrouped and accordingly are different to that extent from our audited unconsolidated financial statements included elsewhere in the offering memorandum.

(2) Interest income from investments represents interest income on government securities investments, debentures, bonds and dividend income from equity and other investments in companies other than our subsidiaries.

(3) Other interest expense includes interest expense on fixed deposits taken over from ICICI, bonds and debentures, subordinated debt, bills rediscounted and borrowings outside India.

(4) Miscellaneous income primarily includes dividend income from subsidiaries and affiliates, unrealized gain/loss on certain derivatives and profit/loss on sale of properties.

(5) With effect from fiscal 2002, consequent to the amalgamation, the useful lives of certain categories of fixed assets were reviewed to align the depreciation rates previously used by ICICI and us. Accordingly, the rates of depreciation on certain categories of fixed assets were changed from fiscal 2002.

(6) Operating expense for the six months ended September 30, 2005 and September 30, 2006 also includes Rs. 192 million on account of amortization of expenses related to our early retirement option scheme over a period of five years as approved by the Reserve Bank of India.

(7) Includes commissions paid to direct marketing agents or associates (including reclassification of direct market agency expenses for sourcing automobile loans from interest income) in connection with sourcing our retail assets.

(8) Earnings per share is computed based on weighted average number of shares. Earnings per share is not annualized for the six months ended September 30, 2005 and 2006.

(9) Figures of the previous year/period have been regrouped to conform to the current year presentation.

For other notes to accounts please refer to the audited unconsolidated financial statements included elsewhere in this offering memorandum.

Balance Sheet Data

	At March 31,					At September 30,		
	2002	2003	2004	2005	2006	2005	2006	2006
	(Rupees in billions, except per share data)							(US$ in millions, except per share data)
Assets:								
Cash in hand and balance with Reserve Bank of India	Rs. 17.74	Rs. 48.86	Rs. 54.08	Rs. 63.45	Rs. 89.34	Rs. 79.32	Rs. 145.10	US$ 3,158
Balance with banks and money at call and short notice	110.12	16.03	30.63	65.85	81.06	50.56	93.16	2,027
Investments (net of provisions)								
Government and other approved securities	227.93	255.83	299.18	344.82	510.74	415.67	607.14	13,213
Debentures and bonds	64.36	56.90	55.49	28.54	18.04	15.81	24.00	522
Others[1]	66.62	41.89	79.69	131.51	186.69	121.69	198.78	4,326
Total investments	**358.91**	**354.62**	**434.36**	**504.87**	**715.47**	**553.17**	**829.92**	**18,061**
Advances[2]	470.35	532.79	626.48	914.05	1,461.63	1,070.71	1,554.04	33,820
Fixed and leased assets	42.39	40.61	40.56	40.38	39.81	39.60	39.23	854
Others assets[1][3]	41.55	75.21	66.18	87.99	126.58	98.82	162.28	3,532
Total assets	**Rs.1,041.06**	**Rs.1,068.12**	**Rs.1,252.29**	**Rs.1,676.59**	**Rs.2,513.89**	**Rs.1,892.18**	**Rs.2,823.73**	**US$ 61,452**
Liabilities and capital Deposits								
Other demand deposits	Rs. 27.36	Rs. 36.89	Rs. 72.59	Rs. 128.37	Rs. 165.73	Rs. 125.84	Rs. 148.20	US$ 3,225
Saving deposits	24.97	37.93	83.72	113.92	209.37	145.33	271.77	5,914
Term deposits	268.52	406.87	524.78	755.90	1,275.73	933.35	1,475.03	32,101
Total deposits	**320.85**	**481.69**	**681.09**	**998.19**	**1,650.83**	**1,204.52**	**1,895.00**	**41,240**
Borrowings[4]	492.19	343.02	307.40	335.44	385.22	341.19	360.06	7,836
Unsecured redeemable debenture/bonds (subordinated debt)[5]	97.51	97.50	91.06	82.09	101.44	80.52	155.95	3,394
Other liabilities and provisions[6]	64.55	73.07	89.14	131.87	150.84	125.28	173.72	3,781
Preference share capital suspense[7]	3.50	—	—	—	—	—	—	—
Preference share capital[7]	—	3.50	3.50	3.50	3.50	3.50	3.50	76
Equity capital[8]	6.13	6.13	6.16	7.37	8.90	7.41	8.93	194
Reserves and surplus								
Statutory reserves	2.50	5.52	9.61	14.63	20.99	14.63	20.99	457
Debenture redemption reserve	0.10	—	—	—	—	—	—	—
Special reserve	10.94	11.44	11.69	11.94	14.69	11.94	14.69	320
Capital reserves	—	2.00	4.65	4.85	5.53	4.85	5.53	120
Share premium	8.01	8.02	8.52	39.89	118.18	40.49	118.76	2,585
Investment fluctuation reserve	0.27	1.27	7.30	5.16	—	7.30	—	—
Foreign currency translation reserve	—	—	—	—	—	(0.04)	0.16	3
Revenue & other reserves	34.31	34.91	31.64	39.78	50.84	37.64	49.78	1,083
Balance in profit & loss account	0.20	0.05	0.53	1.88	2.93	12.95	16.66	363
Total reserves and surplus	56.33	63.21	73.94	118.13	213.16	129.76	226.57	4,931
Total liabilities and capital	Rs.1,041.06	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.1,892.18	Rs.2,823.73	US$ 61,452
Contingent liabilities								
Claims against bank not acknowledged as debts	Rs. 10.23	Rs. 20.25	Rs. 25.02	Rs. 27.46	Rs. 29.78	Rs. 26.46	Rs. 36.89	US$ 803
Liability for partly paid investments	2.62	1.80	1.24	0.17	0.17	0.17	0.17	4
Liability on account of outstanding forward exchange contracts	152.55	251.03	557.04	714.85	918.32	797.88	1,081.25	23,531
Guarantees given on behalf of constituents	93.52	106.35	120.29	156.41	191.03	169.08	213.44	4,645
Acceptances, endorsements & other obligations	17.39	43.25	65.14	74.12	106.87	73.52	138.36	3,011
Currency swaps	20.41	29.01	44.49	112.96	172.42	139.27	230.78	5,022
Interest rate swaps & currency options [9]	78.54	413.54	1,177.64	1,519.22	2,471.92	1,854.05	2,859.58	62,232
Other items for which ICICI Bank is contingently liable	19.21	29.14	38.56	76.35	59.84	49.42	93.11	2,026
Total	**Rs. 394.47**	**Rs. 894.37**	**Rs.2,029.42**	**Rs.2,681.54**	**Rs.3,950.34**	**Rs.3,109.85**	**Rs.4,653.58**	**US$101,274**
Bills for collection	**13.23**	**13.37**	**15.11**	**23.92**	**43.38**	**32.43**	**35.58**	**774**

(1) Includes investment in government securities issued outside India.
(2) Includes rupee/foreign currency loans, assistance by way of securitization, loans under retail finance operations and receivables under finance leases.
(3) Primarily includes interest accrued but not due at period-end, advances paid for capital assets, advance taxes paid, deposits for utilities, fees and other income receivable, exchange fluctuation suspense with Government of India, inter-office adjustments (net), non-banking assets acquired in satisfaction of claims and deferred tax assets.
(4) Borrowings include call borrowings and refinance from the Reserve Bank India, banks and other financial institutions, fixed deposits taken over from ICICI, bonds and debentures, commercial paper, borrowings outside India from multilateral and bilateral credit agencies, international banks, institutions and consortiums.
(5) Represents unsecured borrowings eligible for inclusion in upper tier II and lower tier I capital for capital adequacy purposes.
(6) Other liabilities primarily include bills payable, interest payable, creditors for expenses, unclaimed refunds, brokerage and interest, deferred tax liabilities, proposed dividend, dividend tax thereon, inter-office adjustments (net), prudential provision on standard assets as per the Reserve Bank of India guidelines and security deposits from clients.
(7) At year-end fiscal 2002, preference share capital suspense represents the face value of 350 preference shares to be issued to preference shareholders of ICICI on amalgamation redeemable at par on April 20, 2018. The notification from the Ministry of Finance has currently exempted us from the restriction of section 12(1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks. These shares were subsequently issued on June 11, 2002.
(8) At March 31, 2002, equity capital includes Rs. 3.93 billion to be allotted to the equity shareholders of ICICI pursuant to the amalgamation, effective March 30, 2002. These shares were subsequently issued on June 11, 2002.
(9) Represents notional principal amount.

Average Balance Sheet

For fiscal years 2004, 2005 and 2006 the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year and for the six months ended September 30, 2005 the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June and September of the six months period. For the six months ended September 30, 2006 the average balances are the averages of daily balances. The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, along with the related interest income (including dividend income) and interest expense. The average balances of assets include non-performing assets and are net of loan loss provisions.

	Year ended March 31,								
	2004			2005			2006		
	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost
	(in billions, except percentages)								
Advances	Rs. 567.51	Rs.63.80	11.2%	Rs. 720.26	Rs.71.22	9.9%	Rs.1,120.38	Rs.102.07	9.1%
Investments	335.71	25.40	7.6	347.66	22.29	6.4	472.66	36.93	7.8
Others	81.71	3.88	4.7	95.22	4.28	4.5	127.53	4.06	3.2
Total interest-earning assets	**984.93**	**93.08**	**9.5%**	**1,163.14**	**97.79**	**8.4%**	**1,720.57**	**143.06**	**8.3%**
Fixed assets	23.98	—	—	24.26	—	—	26.99	—	—
Other assets	129.45	—	—	159.09	—	—	225.46	—	—
Total assets	**Rs.1,138.36**	**Rs.93.08**		**Rs.1,346.49**	**Rs.97.79**		**Rs.1,973.02**	**Rs.143.06**	
Deposits	Rs. 559.96	Rs.30.23	5.4%	Rs. 728.90	Rs.32.52	4.5%	Rs.1,166.07	Rs. 58.37	5.0%
Saving deposits	52.21	1.35	2.6	92.64	2.18	2.4	148.79	3.95	2.7
Other demand deposits	52.11	—	—	78.51	—	—	120.86	—	—
Term deposits	455.64	28.88	6.3	557.75	30.34	5.4	896.42	54.42	6.1
Borrowings	429.70	39.92	9.3	409.35	33.19	8.1	492.66	37.60	7.6
Total interest-bearing liabilities	**989.66**	**70.15**	**7.1%**	**1,138.25**	**65.71**	**5.8%**	**1,658.73**	**95.97**	**5.8%**
Capital and reserves(1)	82.35	—	—	119.82	—	—	179.71	—	—
Other liabilities	66.35	—	—	88.42	—	—	134.58	—	—
Total liabilities	**Rs. 1138.36**	**Rs.70.15**		**Rs 1,346.49**	**Rs.65.71**		**Rs.1,973.02**	**Rs. 95.97**	

	Six months ended September 30,					
	2005			2006		
	Average balance	Interest income/ expense	Avg. yield/cost(2)	Average balance	Interest income/ expense	Avg. yield/cost(2)
	(in billions, except percentages)					
Advances	Rs. 983.38	Rs.45.54	9.2%	Rs.1,502.37	Rs. 72.27	9.6%
Investments	449.72	16.86	7.5	702.81	28.27	8.0
Others	107.29	2.05	3.8	236.24	4.54	3.8
Total interest-earning assets	**1,540.39**	**64.45**	**8.4%**	**2,441.42**	**105.08**	**8.6%**
Fixed assets	26.36	—	—	39.18	—	—
Other assets	202.26	—	—	212.75	—	—
Total assets	**Rs.1,769.01**	**Rs.64.45**	**—**	**Rs.2,693.35**	**Rs.105.08**	**—**
Deposits	Rs.1,054.29	Rs.26.29	5.0%	Rs.1,790.74	Rs. 53.38	6.0%
Saving deposits	118.78	1.58	2.7	234.08	3.09	2.6
Other demand deposits	103.61	—	—	170.07	—	—
Term deposits	831.90	24.71	5.9	1,386.58	50.29	7.2
Borrowings	456.97	17.77	7.8	554.99	21.18	7.6
Total interest-bearing liabilities	**1,511.26**	**44.06**	**5.8%**	**2,345.73**	**74.56**	**6.3%**
Capital and reserves(1)	129.22	—	—	226.66	—	—
Other liabilities	128.53	—	—	120.96	—	—
Total liabilities	**Rs.1,769.01**	**Rs.44.06**		**Rs.2,693.35**	**Rs. 74.56**	

(1) Excludes preference share capital.
(2) Average yield and average cost for the six months ended September 30, 2005 and 2006 are annualized.

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets.

	Year ended March 31,					Six months ended September 30,		
	2002	2003	2004	2005	2006	2005	2006	2006
	(in billions, except percentages)							(US$ in millions, except percentages)
Average interest-earning assets	Rs.222.39	Rs. 912.99	Rs. 984.93	Rs.1,163.14	Rs.1,720.57	Rs.1,540.39	Rs.2,441.42	US$53,132
Average interest-bearing liabilities	207.37	891.62	989.66	1,138.25	1,658.73	1,511.26	2,345.73	51,050
Average total assets	233.93	1,050.28	1,138.36	1,346.49	1,973.02	1,769.01	2,693.35	58,615
Average interest-earning assets as a percentage of average total assets (%)	95.1	86.9	86.5	86.4	86.5	87.1	90.6	
Average interest-bearing liabilities as a percentage of average total assets (%)	88.7	84.9	86.9	84.5	84.1	85.4	87.1	
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	107.2	102.4	99.5	102.2	103.7	101.9	104.1	
Yield(1) (%)	9.7	10.4	9.5	8.4	8.3	8.4	8.6	
Cost of funds(1) (%)	7.5	8.9	7.1	5.8	5.8	5.8	6.3	
Spread (1)(2) (%)	2.16	1.52	2.36	2.63	2.47	2.53	2.24	
Net interest margin(1)(3) (%)	2.70	1.73	2.33	2.76	2.74	2.64	2.49	

(1) Yield, cost of funds, spread and net interest margin are annualized for the six months ended September 30, 2005 and 2006.
(2) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.
(3) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

Financial Ratios

	Fiscal Year,					Six months ended September 30,	
	2002	2003	2004	2005	2006	2005	2006
	(in percentages)						
Return on average equity[(1)(2)]	17.8%	18.3%	21.8%	17.9%	16.4%	17.0%	12.0%
Return on average assets[(1)(3)]	1.10	1.15	1.44	1.49	1.29	1.26	1.02
Dividend payout ratio[(4)]	17.2	38.1	33.2	31.6	29.8	—	—
Cost to average assets[(1)(5)]	2.6	1.5	1.8	1.9	1.8	1.8	1.7
Tier I capital adequacy ratio	7.5	7.1	6.1	7.6	9.2	7.2	9.38
Tier II capital adequacy ratio	3.9	4.0	4.3	4.2	4.2	4.3	4.96
Total capital adequacy ratio	11.4	11.1	10.4	11.8	13.4	11.5	14.34
Net non-performing assets ratio[(6)]	4.73	4.92	2.87	2.03	0.71	0.97	0.94
Allowance as a percentage of gross non-performing assets[(7)]	63.6	62.6	69.7	61.4	63.7	73.3	58.3
Average net worth to total average assets	6.22	6.27	6.59	8.34	7.83	7.36	8.46

(1) Annualized for the six months ended September 30, 2005 and 2006.

(2) Return on average equity is the ratio of the net profit after tax to the average net worth.

(3) Return on average assets is the ratio of the net profit after tax to the average assets.

(4) Dividend payout ratio is the ratio of total dividend payouts (excluding dividend distribution tax) to profit after tax.

(5) Cost to average assets is the ratio of the non-interest expense, excluding direct marketing agency expenses and lease depreciation, to the average assets.

(6) Net non-performing assets ratio is the ratio of net non-performing assets to the net customer assets.

(7) Allowance as a percentage of gross non-performing assets is the ratio of provisions and write-offs made to the gross non-performing assets (gross of provisions and write-offs).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited unconsolidated financial statements. The following discussion is based on our audited unconsolidated financial statements and accompanying notes, which have been prepared in accordance with Indian GAAP.

Introduction

The financial information contained in this offering memorandum is unconsolidated and prepared in accordance with Indian GAAP, while the financial information in our annual reports on Form 20-F for the fiscal year 2006 is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP with the net income and stockholders' equity reconciled to US GAAP. Financial information in our annual report on Form 20-F for the fiscal years 2000 to 2005 filed with the SEC was prepared in accordance with US GAAP. US GAAP requires consolidation as a fundamental basis of accounting. Under Indian GAAP, the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank was accounted for on March 30, 2002, with ICICI Bank recognized as the accounting acquirer. Under US GAAP, we were required to reflect the amalgamation in the financial statements for fiscal 2003 and fiscal 2004 as it was consummated in April 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that, under US GAAP, ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer. For further discussion of the significant differences between Indian GAAP and US GAAP, see "Summary of Significant Differences Between Indian GAAP and US GAAP".

Our loan portfolio, financial condition and results of operations have been, and in the future, are expected to be influenced by economic conditions in India, expected growth in retail credit in India and certain global developments, particularly in commodity prices relating to the business activities of our corporate customers. For ease of understanding of the discussion of our results of operations that follows, you should consider the introductory discussion of these macroeconomic factors.

Indian Economy

The rate of growth of India's gross domestic product, or GDP, was 8.5% in fiscal 2004, 7.5% in fiscal 2005 and 8.4% in fiscal 2006. During the first half of fiscal 2007 GDP growth was 9.1%. The agriculture sector, posted a growth of 9.6% in fiscal 2004. In fiscal 2005, the growth of the agriculture sector declined to 0.7%, because of insufficient rainfall in many parts of the country. However agricultural growth recovered in fiscal 2006 due to normal monsoons to post a growth of 3.9%. In the first half of fiscal 2007 agricultural growth was 2.6%. The industrial sector grew by 6.5% in fiscal 2004, 8.3% in fiscal 2005 and 7.6% in fiscal 2006 and by 10.5% during the first half of fiscal 2007. The services sector grew by 8.9% in fiscal 2004, 8.6% in fiscal 2005 and 10.3% in fiscal 2006. The services sector grew by 10.7% during the first half of fiscal 2007.

During the first half of fiscal 2005, there was an increase in inflationary trends in India, primarily due to the increase in oil prices as well as prices of certain commodities. The full burden of the oil price increase has not yet been passed to the Indian consumers and has been substantially absorbed by the government and government-owned oil marketing companies. See also "Risk Factors—Risks Relating to India—A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business". The growth trends were accompanied by continued macro-economic stability, despite a sharp increase in global oil prices, concerns over global imbalances and rising interest rates globally and in India. The average annual rate of inflation as measured by the Wholesale Price Index was 4.5% for fiscal 2006 as compared to 6.4% for fiscal 2005 and remained at comfortable levels largely due to policy interventions by the Reserve Bank of India. The rate of inflation was 5.3% in fiscal 2007 (through November 25, 2006), as compared to 4.5% during the corresponding period in the previous year. Inflation based on the consumer price index was 7.3% (through October 2006) compared to 4.2% during the corresponding period last year mainly due to the increase in the price of food articles that have a higher weight in the consumer price index. The Indian rupee depreciated by 2.0% against the US dollar in fiscal 2006 from Rs. 43.62 per US$ 1.00 at year-end fiscal 2005 to Rs 44.48 per US$ 1.00 at year end fiscal 2006. It depreciated by 0.5% against the US dollar in fiscal 2007 (through December 11, 2006) moving from Rs 44.48 per US$ 1.00 to Rs 44.69 per US$ 1.00. It also depreciated against the pound sterling and the euro and appreciated against the Japanese yen. India's foreign exchange reserves were US$ 175.49 billion at December 1, 2006.

The impact of these and other factors and the anticipated overall growth in industry, agriculture and services in fiscal 2007 and in future years will influence the performance of the banking sector as it will affect the level of credit disbursed by banks, and the overall growth prospects of our business, including our ability to grow, the quality of our assets, the value of our investment portfolio and our ability to implement our strategy.

Banking Sector

According to the Reserve Bank of India's data, total deposits of all scheduled commercial banks increased by 17.7% in fiscal 2004, 14.4% in fiscal 2005 and 17.6% in fiscal 2006. In the first half of fiscal 2007 deposits grew by 20.2% on an annualized basis and 19.9% on an year-on year basis. Bank credit of scheduled commercial banks grew by 15.3% in fiscal 2004, 30.9% in fiscal 2005 and 36.0% in fiscal 2006. In the first half of fiscal 2007 bank credit rose by 19.6% on an annualized basis and by 29.7% on a year-on-year basis. The increase in credit growth in fiscal 2005 was driven by the continued growth in retail credit as well as credit to the industrial and agricultural sectors. Further the Industrial Development Bank of India Limited's credit was included in total banking sector credit at year-end fiscal 2005 after its conversion into a scheduled commercial bank with effect from October 11, 2004. Excluding Industrial Development Bank of India Limited's credit, bank credit of scheduled commercial banks grew at 26.0% in fiscal 2005. In fiscal 2006 growth in credit was driven by the continued demand from the industrial and agriculture sectors and robust credit flow to retail segment.

Until fiscal 2005, India experienced a downward movement in interest rates, barring intra-year periods when interest rates were higher temporarily due to extraneous circumstances. This movement was principally due to the Reserve Bank of India's policy of assuring adequate liquidity in the banking system and generally lowering the rate at which it would lend to Indian banks to ensure that borrowers had access to funding at competitive rates. Banks generally followed the direction of interest rates set by the Reserve Bank of India and adjusted both their deposit rates and lending rates downwards until fiscal 2005. The inflationary trends in fiscal 2005 resulted in an increase in benchmark secondary market yields on government securities. Between October 2004 and July 2006, the Reserve Bank of India increased the reverse repo rate (i.e., the annualized interest earned by the lender in a repurchase transaction between a bank and the Reserve Bank of India) six times by 25 basis points each time resulting in the reverse repo rate increasing from 4.5% to 6.0%. The Reserve Bank of India also increased the cash reserve ratio to 5.0% effective October 2, 2004. As a result of these increases, banks have also raised their deposit and lending rates. In October 2006 the Reserve Bank of India increased the repo rate by 25 basis points to 7.25% on concerns of rising inflation. To address rising inflationary expectations and prevent a liquidity overhang the Reserve Bank of India has increased the cash reserve ratio by 50 basis points to 5.5% from 5.0% in December 2006. The increase will be implemented in two stages, effective from the fortnight beginning December 23, 2006 and the fortnight beginning January 6, 2007. The following table sets forth the bank rate, reverse repo rate and average prime lending rates of five major public sector banks for the last six fiscal years.

Fiscal year	Bank rate	Reverse repo rate	Average prime lending rate (range)
2001	7.0%	7.0%	11.0-12.0%
2002	6.50	6.0	11.00-12.00
2003	6.25	5.0	10.75-12.00
2004	6.0	4.5	10.50-11.50
2005	6.0	4.75	10.25-11.00
2006	6.0	5.50	10.25-10.75
2007 (through December 11, 2006)	6.0	6.00	10.25-10.75

Source: Reserve Bank of India: Handbook of Statistics on Indian Economy, 2005, and Weekly Statistical Supplements and Annual Policy Statement 2006-07, Mid-term review of Annual Policy statement 2006-07.

Major Events Affecting Results and Financial Condition

Since 2002 we have experienced major changes and developments in our business and strategy. An understanding of these events and developments is necessary for an understanding of the periods under review and the discussion and analysis which follows. These changes are reflected in our financial statements in connection with or since the amalgamation. The first change reflects the impact of our history upon our average cost of funds. Consequent to the amalgamation, the businesses formerly conducted by ICICI became subject for the first time to various regulations applicable to banks. These include the statutory liquidity ratio, which is required to be maintained in the form of government of India securities and other approved securities, currently a minimum of 25.0% of our net demand and time liabilities, and the cash reserve ratio, currently a minimum of 5.0% of our net demand and time liabilities excluding inter-bank deposits. While we have benefited from the lower cost of funding as a bank as compared to ICICI as a non-bank financial institution, the imposition of the statutory liquidity ratio and the cash reserve ratio on the liabilities taken over from ICICI have impacted our spread. As the average yield on investments in government of India securities and cash balances maintained with the Reserve Bank of India is typically lower than the yield on other interest-earning assets, our net interest margin has been adversely impacted. Further interest payments on balances held under the cash reserve ratio have been discontinued with the passage of the Reserve Bank of India (amendment) bill on June 22, 2006. This will adversely impact our net interest margin. Additionally our net interest margin has been and is expected to continue to be lower than other banks in India until we repay the borrowings of ICICI and increase the proportion of retail deposits in our funding. We are expanding our deposit base and changing the mix of our liabilities away from the legacy ICICI liabilities towards the lower average cost retail liabilities. The increase in investment in government securities has substantially increased our exposure to market risk. In a declining interest rate environment, we made gains on sale of government securities. A rise in interest rates would cause the value of our fixed income portfolio to decline and adversely affect the income from our treasury operations. See also "Risk Factors—Risks Relating to Our Business—Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance."

The second key change reflects the implementation of our strategy to grow our retail loan portfolio. The results of our implementation of this strategy can be seen in the rapid growth in the retail loan portfolio. While we cannot guarantee that growth will continue at the same rate, we see continued significant demand for retail loans.

Third, in connection with the amalgamation, we recorded the loans and investments acquired from ICICI at fair values which represented a substantial write down of the value of those assets as compared to their value on the balance sheet of ICICI. The fair values of the assets were determined based on our judgment which we made with the assistance of independent valuers. The key areas of fair valuation included loans and all credit substitutes which were fair valued by valuation specialists and investments (including investments in venture capital funds) which were marked to market in accordance with the Reserve Bank of India guidelines applicable to banks. The assets of ICICI were first reflected on our balance sheet at March 31, 2002 after taking into account these fair value write downs.

Fourth, since the amalgamation we have established operations outside India, with subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Hong Kong, Dubai International Financial Center, Sri Lanka and Bahrain and representative offices in the United States, Dubai, Bangladesh, South Africa, Malaysia, Indonesia, Thailand and China. We have invested in the equity capital of our international banking subsidiaries to support their growth.

Fifth, since the amalgamation, our subsidiaries engaged in the insurance business, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, have experienced rapid growth in business. We have invested in the equity capital of our insurance subsidiaries to support their growth. Our life insurance subsidiary continues to report losses in its financial statements. See also "Business—Overview of ICICI Bank's Products and Services—Insurance."

All of these changes or developments have had a major impact upon our results of operation and financial condition and are critical to an understanding of the discussion, which follows.

Summary for the six-months ended September 30, 2006 compared to the six-months ended September 30, 2005

Profit after tax increased by 23.9% to Rs. 13.75 billion (US$ 300 million) in the six months ended September 30, 2006 from Rs. 11.10 billion (US$ 242 million) in the six months ended September 30, 2005. Profit before provisions and tax increased by 41.1% to Rs. 28.43 billion (US$ 619 million) in the six months ended September 30, 2006 from Rs. 20.15 billion (US$ 439 million) in the six months ended September 30, 2005 primarily due to a 49.7% increase in net interest income to Rs. 30.52 billion (US$ 664 million) in the six months ended September 30, 2006 from Rs. 20.39 billion (US$ 444 million) in the six months ended September 30, 2005, increase in non-interest income by 29.3% to Rs. 28.48 billion (US$ 620 million) in the six months ended September 30, 2006 from Rs. 22.02 billion (US$ 479 million) in the six months ended September 30, 2005 offset, in part, by increase in non-interest expense by 37.3% to Rs. 30.57 billion (US$ 665 million) in the six months ended September 30, 2006 from Rs. 22.26 billion (US$ 484 million) in the six months ended September 30, 2005. Provisions and contingencies (excluding provision for tax) increased to Rs. 11.92 billion (US$ 259 million) in the six months ended September 30, 2006 from Rs. 6.02 billion (US$ 131 million) in the six months ended September 30, 2005.

- Net interest income increased by 49.7% to Rs. 30.52 billion (US$ 664 million) in the six months ended September 30, 2006 from Rs. 20.39 billion (US$ 444 million) in the six months ended September 30, 2005, primarily reflecting an increase of 58.5% in the average volume of interest-earning assets.
- Non-interest income increased by 29.3% to Rs. 28.48 billion (US$ 620 million) in the six months ended September 30, 2006 from Rs. 22.02 billion (US$ 479 million) primarily due to a 55.4% increase in commission, exchange and brokerage, offset, in part, by a decrease in treasury income.
- Non-interest expense increased by 37.3% to Rs. 30.57 billion (US$ 665 million) in the six months ended September 30, 2006 from Rs. 22.26 billion (US$ 484 million) in the six months ended September 30, 2005 primarily due to a 59.4% increase in employee expenses and a 38.1% increase in other administrative expenses.
- Provisions and contingencies (excluding provisions for tax) increased to Rs. 11.92 billion (US$ 259 million) in the six months ended September 30, 2006 from Rs. 6.02 billion (US$ 131 million) in the six months ended September 30, 2005 primarily due to an increase in net provision for non-performing assets, general provision for standard assets and provision for investments in the six months ended September 30, 2006.
- Total assets increased 49.2% to Rs. 2,823.73 billion (US$ 61.5 billion) at September 30, 2006 from Rs. 1,892.18 billion (US$ 41.2 billion) at September 30, 2005 primarily due to an increase in loans by 45.1% and an increase in investments by 50.0%.

Net Interest Income

Net interest income increased by 49.7% to Rs. 30.52 billion (US$ 664 million) in the six months ended September 30, 2006, from Rs. 20.39 billion (US$ 444 million) in the six months ended September 30, 2005 reflecting mainly the following:

- an increase of Rs. 901.03 billion (US$ 19.6 billion) or 58.5% in the average volume of interest-earning assets; and
- net interest margin of 2.5% for the six months ended September 30, 2006 compared to 2.6% for the six months ended September 30, 2005.

In February 2006, the Reserve Bank of India issued guidelines for accounting for securitization of standard assets. In accordance with these guidelines with effect from February 1, 2006 we account for any loss arising on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization has been recorded upfront at the time of sale. Income from sell-down of loans, which was approximately 15.9% of net interest income in the six months ended September 30, 2005, was negligible in the six months ended September 30, 2006 due to the impact of the aforesaid guidelines requiring amortization of profit on securitization from February 1, 2006 and the prevailing liquidity and interest rate scenario.

We use marketing agents, called direct marketing agents or associates, for sourcing our automobile loans. Until the year ended March 31, 2006, we deducted commission paid to direct marketing agents of automobile loans from the interest income. For the six months ended September 30, 2006, we have reported all direct marketing agency expenses, on automobile loans and other retail loans separately under "non-interest expense". These commissions are expensed upfront and not amortised over the life of the loan. The necessary reclassifications have been made in the financial statements for the period ended September 30, 2005.

The average volume of interest-earning assets increased by Rs. 901.03 billion (US$ 19.6 billion) in the six months ended September 30, 2006 primarily due to the increase in average advances by Rs. 518.99 billion (US$ 11.3 billion) and increase in average investments by Rs. 253.09 billion (US$ 5.5 billion). The increase in average advances was mainly due to increased disbursement of retail loans and increase in average investments was mainly due to increased investment in government securities. Retail advances, net of provisions and write-off, increased by 57.1% to Rs. 1,076.79 billion (US$ 23.4 billion) at September 30, 2006 from Rs. 685.37 billion (US$ 14.9 billion) at September 30, 2005.

Interest income increased by 63.0% to Rs. 105.08 billion (US$ 2.3 billion) in the six months ended September 30, 2006 from Rs. 64.45 billion (US$ 1.4 billion) in the six months ended September 30, 2005 primarily due to an increase of 58.5% in the average interest-earning assets to Rs. 2,441.4 billion (US$ 53.1 billion) in the six months ended September 30, 2006 from Rs. 1,540.39 billion (US$ 33.5 billion) in the six months ended September 30, 2005. Yield on average interest-earning assets increased to 8.6% in the six months ended September 30, 2006 from 8.4% in the six months ended September 30, 2005 primarily due to a increase in the yield on advances portfolio by 0.4% to 9.6% in the six months ended September 30, 2006 from 9.2% in the six months ended September 30, 2005. The yield on advances has increased despite the significant decline in income from sell-down of loans due to an increase in lending rates in line with the general increase in interest rates and an increase in the volumes of certain high yielding loans. Our prime lending rate (ICICI Bank's benchmark lending rate) has increased by 225 basis points in the period from September 30, 2005 to September 30, 2006. Our benchmark rate for floating rate home loans has increased by 150 basis points in the same period.

Total interest expense increased 69.2% to Rs. 74.56 billion (US$ 1.6 billion) in the six months ended September 30, 2006 from Rs. 44.06 billion (US$ 1.0 billion) in the six months ended September 30, 2005, primarily due to an increase of 55.2% in average interest-bearing liabilities to Rs. 2,345.73 billion (US$ 51.0 billion) in the six months ended September 30, 2006 from Rs. 1,511.26 billion (US$ 32.9 billion) in the six months ended September 30, 2005 and an increase of 50 basis points in our cost of funds to 6.3% in the six months ended September 30, 2006 from 5.8% in the six months ended September 30, 2005. Total deposits at September 30, 2006 constituted 78.6% of our funding (comprising deposits, borrowings and subordinated debt) compared to 74.1% at September 30, 2005. Total deposits increased 57.3% to Rs. 1,894.99 billion (US$ 41.2 billion) at September 30, 2006 from Rs. 1,204.52 billion (US$ 26.2 billion) at September 30, 2005. This is commensurate with our focus of increasing funding through deposits. Our cost of deposits has increased by 1.0% to 6.0% in the six months ended September 30, 2006 from 5.0% in the six months ended September 30, 2005 consequent to the general increase in interest rates reflecting a tight systemic liquidity scenario, particularly since February 2006, and an increase in deposit rates for retail and other customers. The cost of borrowings declined to 7.6% in the six months ended September 30, 2006 from 7.8% in the six months ended September 30, 2005 primarily due to repayment of high cost borrowings of erstwhile ICICI Limited.

As a result of the decrease in the income from sell-down of loans, our net interest margin decreased to 2.5% in the six months ended September 30, 2006 from 2.6% in the six months ended September 30, 2005. Our net interest margin is expected to continue to be lower than other banks in India until we repay the borrowings of ICICI and increase the proportion of retail deposits in our total funding. The net interest margin is also impacted by the relatively lower net interest margin earned by our overseas branches, which is offset by the higher fee income that we are able to earn by leveraging our international presence and our ability to meet the foreign currency borrowing requirements of Indian companies.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of our non-interest income.

	Six months ended September 30,			
	2005	**2006**	**2006**	**% change**
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs.12,518	Rs.19,447	US$423	55.4
Income from treasury-related activities[(1)]	5,417	5,089	111	(6.1)
Lease income	1,736	1,298	28	(25.2)
Other income	2,350	2,643	58	12.5
Total non-interest income	Rs.22,021	Rs.28,477	US$620	29.3

(1) Includes profit/loss on sale of investments and revaluation of investments and foreign exchange gain/loss.

Non-interest income increased by 29.3% in the six months ended September 30, 2006 to Rs. 28.48 billion (US$ 620 million) from Rs. 22.02 billion (US$ 479 million) in the six months ended September 30, 2005 primarily due to a 55.4% increase in commission, exchange and brokerage and a 12.5% increase in other income, offset, in part by a 25.2% decline in lease income.

Commission, exchange and brokerage increased by 55.4% to Rs. 19.45 billion (US$ 423 million) in the six months ended September 30, 2006 from Rs. 12.52 billion (US$ 272 million) in the six months ended September 30, 2005 primarily due to growth in retail banking fee income arising from retail assets like home loans and credit cards and retail liability product income like account servicing charges, increase in transaction banking fee income from corporate banking and increase in fee income from international banking operations.

Total income from treasury-related activities decreased to Rs. 5.09 billion (US$ 111 million) in the six months ended September 30, 2006 from Rs. 5.42 billion (US$ 118 million) in the six months ended September 30, 2005, due to lower capital gains as a result of the sharp fall in the equity markets in May 2006 and adverse conditions in the debt markets. Income from treasury-related activities includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged internally or in the inter-bank market, and income from merchant foreign exchange transactions.

Lease income decreased by 25.2% to Rs. 1.30 billion (US$ 28 million) in the six months ended September 30, 2006 from Rs. 1.74 billion (US$ 38 million) in the six months ended September 30, 2005 mainly due to a reduction in lease assets since we are not entering into new lease transactions. Our total leased assets were Rs. 10.53 billion (US$ 229 million) at September 30, 2006 compared to Rs. 12.66 billion (US$ 276 million) at September 30, 2005.

Other income increased by 12.5% to Rs. 2.64 billion (US$ 58 million) in the six months ended September 30, 2006 compared to Rs. 2.35 billion (US$ 51 million) in the six months ended September 30, 2005. Other income includes the unrealized gain/loss on certain derivative transactions

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Six-months period ended September 30,			
	2005	2006	2006	% change
	(in millions, except percentages)			
Employee expenses	Rs. 4,702	Rs. 7,497	US$163	59.4
Depreciation on own property (including non banking assets)	1,657	1,744	38	5.3
Auditors' fees and expenses	9	10	—	11.1
Other administrative expenditure	9,497	13,112	286	38.1
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	15,865	22,363	487	41.0
Depreciation (net of lease equalisation) on leased assets	1,282	1,024	22	(20.1)
Direct marketing agency expenses	5,115	7,180	156	40.4
Total non-interest expenses	Rs.22,262	Rs.30,567	US$665	37.3

Total non-interest expense increased by 37.3% in the six months ended September 30, 2006 to Rs. 30.57 billion (US$ 665 million) from Rs. 22.26 billion (US$ 484 million) in the six months ended September 30, 2005 primarily due to a 59.4% increase in employee expenses and a 38.1% increase in other administrative expenses.

Employee expenses increased 59.4% to Rs. 7.50 billion (US$ 163 million) in the six months ended September 30, 2006 from Rs. 4.70 billion (US$ 102 million) in the six months ended September 30, 2005 primarily due to a 33.9% increase in the number of employees to 30,784 at September 30, 2006 from 22,992 at September 30, 2005, annual increase in the salaries and higher cost due to monetization of benefits on loan facilities available to employees at concessional rates of interests and other employee benefits. The increase in employees was commensurate with the growth in our retail businesses.

Depreciation on fixed assets other than leased assets was Rs. 1.74 billion (US$ 38 million) in the six months ended September 30, 2006 as compared to Rs. 1.66 billion (US$ 36 million) in the six months ended September 30, 2005.

Other administrative expenses increased by 38.1% to Rs. 13.11 billion (US$ 285 million) from Rs. 9.50 billion (US$ 207 million) primarily due to the increased volume of business, particularly in retail banking, and includes maintenance of ATMs, credit card expenses and call centre expenses. The number of savings accounts increased to about 8.6 million at September 30, 2006 from about 6.9 million at September 30, 2005. The volume of credit cards in force has increased to about 6.2 million at September 30, 2006 from about 3.6 million at September 30, 2005. The number of ATMs increased to 2,336 at September 30, 2006 from 2,030 at September 30, 2005.

Depreciation (net of lease equalization) on leased assets has reduced by 20.1% to Rs. 1.02 billion (US$ 22 million) in the six months ended September 30, 2006 from Rs. 1.28 billion (US$ 28 million) in the six months ended September 30, 2005 primarily due to the reduction in leased assets to Rs. 10.53 billion (US$ 229 million) at September 30, 2006 from Rs. 12.66 billion (US$ 276 million) at September 30, 2005.

We use marketing agents, called direct marketing agents or associates, for sourcing our retail assets. We include commissions paid to these direct marketing agents of our retail assets in non-interest expense. These commissions are expensed upfront and not amortised over the life of the loan. We incurred direct marketing agency expenses of Rs. 7.18 billion (US$ 156 million) on the retail asset portfolio in the six months ended September 30, 2006 compared to Rs. 5.11 billion (US$ 111 million) in the six months ended September 30, 2005. The growth in direct marketing expenses was commensurate with growth in business volumes.

Provisions and contingencies

The following table sets forth, for the periods indicated, the components of provisions and contingencies.

	Six months ended September 30,			
	2005	2006	2006	% change
	(in millions, except percentages)			
Provisions for investments (including credit substitutes) (net)	Rs.3,306	Rs. 5,334	US$116	61.3
Provision for non-performing assets and for standard assets[(1)]	2,482	5,992	130	141.4
Others	229	595	13	159.8
Total provisions and contingencies (excluding tax)	Rs.6,017	Rs.11,921	US$259	98.1

(1) We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, gross non-performing assets are reported gross of provisions net of cumulative write-offs in our financial statements.

We classify our loans in accordance with the Reserve Bank of India guidelines. Provisions and contingencies (excluding provision for tax) increased to Rs. 11.92 billion (US$ 259 million) in the six months ended September 30, 2006 from Rs. 6.02 billion (US$ 131 million) in the six months ended September 30, 2005 primarily due to higher provisions created on standard assets, in accordance with the revised guidelines issued by the Reserve Bank of India, a higher level of amortization of premium on government securities (resulting in a larger provision for investments) and a lower level of write-backs.

Under the Reserve Bank of India's guidelines issued in September 2005, banks were required to make general provision at 0.4% on standard loans (excluding loans to the agricultural sector and to small and medium enterprises). Under the Reserve Bank of India's guidelines issued in May 2006, the general provisioning requirement for personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2 million and commercial real estate was further increased to 1.0% from the 0.4%. The Reserve Bank of India has allowed banks to create the above additional provision of 0.6% in a phased manner in fiscal 2007.

In accordance with the above guidelines, the standard asset provision in the six months ended September 30, 2006 was Rs. 1.3 billion (US$ 28 million) as compared to Rs. 0.4 billion (US$ 9 million) in the six months ended September 30, 2005. The amortization of premium on government securities in the six months ended September 30, 2006 was Rs. 5.1 billion (US$ 111 million) as compared to Rs. 3.4 billion (US$ 74 million) in the six months ended September 30, 2005 primarily reflecting an increase of 44.0% in investments in government securities.

Tax Expense

The following table sets forth, for the periods indicated, details of tax expense computation.

	Six months ended September 30,		
	2005	2006	2006
		(in millions)	
Tax at marginal rate on income	Rs. 4751.7	Rs. 5,552.6	US$ 121
Adjustments			
Difference in book and tax depreciation	1,366.9	(842.8)	(18)
Bad debts written off	(587.0)	3,663.9	80
Special Reserve under section 36(1)(viii)	(400.0)	(700.0)	(15)
Surplus on sale of property/assets	(34.3)	(410.5)	(9)
Dividend, Exempt Interest & Other Income	(3,380.0)	(3,693.0)	(80)
Capital gains on sale of shares	(2,440.0)	(5,092.6)	(111)
Fair value utilization	—	—	
Other adjustments	602.3	81.6	2
Net adjustments	(4,872.1)	(6993.4)	(151)
Tax (savings)/outgo thereon-other than capital gains	(1,639.9)	(2,354.0)	(51)
Capital gains on sale of shares	67.3	221.7	5
Tax (savings)/outgo thereon and deferred tax adjustments	(1,572.6)	(2,132.3)	(46)
Deferred taxes and other tax provisions	(163.0)	(674.3)	(15)
Total income tax	**Rs. 3,016.0**	**Rs. 2,746**	**US$ 60**
Wealth tax	15.0	15.0	0.3
Total taxation	**Rs. 3,031.0**	**Rs. 2,761.0**	**US$ 60**

Notes:

Adjusted profit before taxation	Rs.14,116.6	Rs.16,496.2	US$ 359
Marginal rates of tax-other than long term capital gains	33.66%	33.66%	
Long term capital gains	11.22%	11.22%	

Income tax expense (including wealth tax) decreased by 8.9% to Rs. 2.76 billion (US$ 60 million) in the six months ended September 30, 2006 from Rs. 3.03 billion (US$ 66 million) in the six months ended September 30, 2006, as the effective tax rate decreased to 16.7% in the six months ended September 30, 2006 from 21.4% in the six months ended September 30, 2005.

The effective tax rate of 16.7% for the six months ended September 30, 2006 was lower compared to the statutory tax rate of 33.66% primarily due to exemption of dividend income, deduction of income of offshore banking unit, deduction towards special reserve and the concessional rate of tax on capital gains and deferred tax asset on carry forward capital losses.

The Indian Finance Act, 2005 imposes an additional income tax on companies called "fringe benefit tax". Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are incurred. This tax is effective from April 1, 2005. The fringe benefit tax expense amounted to Rs. 0.22 billion (US$ 5 million) in the six months ended September 30, 2006 as compared to Rs. 0.11 billion (US$ 2 million) in the six months ended September 30, 2005.

Financial Condition

Our total assets increased 49.2% to Rs. 2,823.72 billion (US$ 61.5 billion) at September 30, 2006 from Rs. 1,892.18 billion (US$ 41.2 billion) at September 30, 2005 primarily due to an increase in advances and investments. Net advances increased 45.1% to Rs. 1,554.04 billion (US$ 33.8 billion) at September 30, 2006 from Rs. 1,070.71 billion (US$ 23.3 billion) at September 30, 2005 primarily due to increase in retail advances in accordance with our strategy of growth in our retail portfolio, offset, in part by reduction in advances due to repayments and securitizations. Total investments at September 30, 2006 increased 50.0% to Rs. 829.92 billion (US$ 18.1 billion) from Rs. 553.17 billion (US$ 12.0 billion) at September 30, 2005 primarily due to a 46.1% increase in investments in government and other approved securities to Rs. 607.14 billion (US$ 13.2 billion) at September 30, 2006 from Rs. 415.67 billion (US$ 9.0 billion) at September 30, 2005. Other investments (including debentures and bonds) increased by 62.0% to Rs. 222.8 billion (US$ 4.8 billion) at September 30, 2006 from Rs. 137.5 billion (US$ 3.0 billion) at September 30, 2005, reflecting an increase in investments in insurance and international subsidiaries, pass through certificates and credit linked notes. Total assets (gross) of overseas branches (including overseas banking unit in Mumbai) were Rs. 319.8 billion (US$ 7.0 billion) at September 30, 2006. Other assets increased to Rs. 162.28 billion (US$ 3.5 billion) at September 30, 2006 from Rs. 98.82 billion (US$ 2.2 billion) at September 30, 2005.

Our equity share capital and reserves at September 30, 2006 was Rs. 235.5 billion (US$ 5.1 billion) as compared to Rs. 137.2 billion (US$ 3.0 billion) at September 30, 2005 primarily due to additional equity capital of Rs. 80.0 billion (US$ 1.7 billion) issued in fiscal 2006, the retained profits for the year and exercise of employee stock options. Total deposits increased 57.3% to Rs. 1,895.00 billion (US$ 41.2 billion) at September 30, 2006 from Rs. 1,204.52 billion (US$ 26.2 billion) at September 30, 2005. Our savings account deposits increased 87.0% to Rs. 271.77 billion (US$ 6.0 billion) at September 30, 2006 from Rs. 145.33 billion (US$ 3.2 billion) at September 30, 2005, while other demand deposits increased 17.8% to Rs. 148.20 billion (US$ 3.2 billion) at September 30, 2006 from Rs. 125.84 billion (US$ 2.7 billion) at September 30, 2005. Term deposits increased by 58.0% to Rs. 1,475.03 billion (US$ 32.1 billion) at September 30, 2006 from Rs. 933.35 billion (US$ 20.3 billion) at September 30, 2005. Total deposits at September 30, 2006 constituted 78.6% of our funding (i.e. deposit, borrowings and subordinated debts) compared to 74.1% at September 30, 2005. Borrowings (including subordinated debt) increased to Rs. 516.01 billion (US$ 11.2 billion) at September 30, 2006 from Rs. 421.71 billion (US$ 9.2 billion) at September 30, 2005. During the six months ended September 30, 2006, we raised 7.25% perpetual non-cumulative subordinated debt amounting to Rs. 15.51 billion (US$ 340 million) and domestic debt of Rs. 7.83 billion (US$ 170 million) under Tier I capital, Rs. 12.55 billion (US$ 273 million) under upper Tier II capital and Rs. 20.72 billion (US$ 451 million) under lower Tier II capital.

Summary Fiscal 2006 Compared to Fiscal 2005

Profit after tax increased by 26.7% to Rs. 25.40 billion (US$ 553 million) in fiscal 2006 from Rs. 20.05 billion (US$ 436 million) in fiscal 2005. Profit before provisions and tax increased by 58.7% to Rs. 46.91 billion (US$ 1.0 billion) in fiscal 2006 from Rs. 29.56 billion (US$ 643 million) in fiscal 2005 primarily due to a 46.8% increase in net interest income to Rs. 47.09 billion (US$ 1,025 million) in fiscal 2006 from Rs. 32.08 billion (US$ 698 million) in fiscal 2005, a 56.3% increase in commission, exchange and brokerage to Rs. 30.02 billion (US$ 653 million) in fiscal 2006 from Rs. 19.21 billion (US$ 418 million) in fiscal 2005 and a 35.8% increase in treasury-related income to Rs. 11.69 billion (US$ 254 million) in fiscal 2006 from Rs. 8.61 billion (US$ 187 million) in fiscal 2005 offset, in part, by an increase in non-interest expense (excluding depreciation on leased assets and commission paid to direct marketing agents) by Rs. 10.30 billion (US$ 224 million) to Rs. 35.47 billion (US$ 772 million) in fiscal 2006 from Rs. 25.17 billion (US$ 548 million) in fiscal 2005. Provisions and contingencies (excluding provision for tax) increased to Rs. 15.94 billion (US$ 347 million) in fiscal 2006 from Rs. 4.29 billion (US$ 93 million) in fiscal 2005.

Net interest income increased by 46.8% to Rs. 47.09 billion (US$ 1,025 million) in fiscal 2006 from Rs. 32.08 billion (US$ 698 million) in fiscal 2005, primarily reflecting an increase of 47.9% in the average volume of interest-earning assets.

Commission, exchange and brokerage increased by 56.3% to Rs. 30.02 billion (US$ 653 million) in fiscal 2006 from Rs. 19.21 billion (US$ 418 million) in fiscal 2005, primarily due to growth in credit card fees and third-party product distribution fees, an increase in income from remittances and other fees from international banking business and growth in corporate banking fees.

Income from treasury-related activities increased by 35.8% to Rs. 11.69 billion (US$ 254 million) in fiscal 2006 from Rs. 8.61 billion (US$ 187 million) in fiscal 2005 primarily due to an increase in the profit on sale of equity investments and income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged internally, or in the inter-bank market and merchant foreign exchange income.

Non-interest expense increased (excluding depreciation on leased assets and commission paid to direct marketing agents) by 40.9% to Rs. 35.47 billion (US$ 772 million) in fiscal 2006 from Rs. 25.17 billion (US$ 548 million) in fiscal 2005 primarily due to a 46.8% increase in employee expenses.

Provisions and contingencies (excluding provision for tax) increased to Rs. 15.94 billion (US$ 347 million) in fiscal 2006 from Rs. 4.29 billion (US$ 93 million) in fiscal 2005 primarily due to the significantly higher level of amortization of premium on government securities in fiscal 2006, which was Rs. 8.02 billion (US$ 175 million), compared to Rs. 2.76 billion (US$ 60 million) in fiscal 2005 primarily due to an increase in the investments in government securities, transfer of a substantial portion of the investments in government securities from "available for sale" to "held to maturity category" in the second half of fiscal 2005 and a lower level of write-backs in fiscal 2006.

Total assets increased by 49.9% to Rs. 2,513.89 billion (US$ 54.7 billion) at year-end fiscal 2006 from Rs. 1,676.59 billion (US$ 36.5 billion) at year-end fiscal 2005 primarily due to growth in net advances by 59.9%, and in investments by 41.7%.

Net Interest Income

Net interest income increased by 46.8% to Rs. 47.09 billion (US$ 1,025 million) in fiscal 2006 from Rs. 32.08 billion (US$ 698 million) in fiscal 2005, reflecting mainly the following:

- an increase of Rs. 557.43 billion (US$ 12.1 billion) or 47.9% in the average volume of interest-earning assets; and
- net interest margin of 2.74% for fiscal 2006 as compared to 2.76% for fiscal 2005.

The average volume of interest-earning assets increased by Rs. 557.43 billion (US$ 12.1 billion) during fiscal 2006 primarily due to the increase in average advances by Rs. 400.12 billion (US$ 8.7 billion), and an increase in average investments and average other interest-earning assets by Rs. 157.31 billion (US$ 3.4 billion). The increase in the average advances was mainly due to increased disbursements of retail finance loans, offset, in part, by securitization of loans and repayment of existing loans. Net retail advances increased by 64.2% to Rs. 921.98 billion (US$ 20.1 billion) at year-end fiscal 2006 from Rs. 561.34 billion (US$ 12.2 billion) at year-end fiscal 2005.

Interest income increased by 46.3% to Rs. 143.06 billion (US$ 3,113 million) in fiscal 2006 from Rs. 97.79 billion (US$ 2,128 million) in fiscal 2005 primarily due to an increase of 47.9% in the average interest-earning assets to Rs. 1,720.57 billion (US$ 37.4 billion), offset, in part, by a decline in the yield on average advances by 0.8% to 9.1% in fiscal 2006. In February 2006, the Reserve Bank of India issued guidelines for accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss arising on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization has been recorded at the time of sale. The yield on average interest-earning assets in fiscal 2006 was at 8.3%.

We use marketing agents, called direct marketing agents or associates, for sourcing retail loans. The commissions paid to these marketing agents are expensed upfront and not amortized over the life of the loan. Effective April 1, 2006, the commissions paid to direct marketing agents or associates in connection with sourcing of our automobile loans, accounted for on an upfront basis, which were earlier deducted from interest income, have been included in non-interest expense. The interest income and operating expense for fiscal 2005 and fiscal 2006 have also been regrouped accordingly.

Total interest expense increased by 46.1% to Rs. 95.97 billion (US$ 2,089 million) in fiscal 2006 from Rs. 65.71 billion (US$ 1,430 million) in fiscal 2005, due to a 45.7% increase in average interest-bearing liabilities to Rs. 1,658.73 billion (US$ 36.1 billion). Cost of funds for fiscal 2006 remained at the same levels as in fiscal 2005, at 5.8%. Cost of deposits increased to 5.0% in fiscal 2006 from 4.5% in fiscal 2005 consequent to the general increase in interest rates in India, in particular the increase in short-term interest rates in the second half of fiscal 2006. Deposits increased by 65.4% to Rs. 1,650.83 billion (US$ 36.0 billion) at year-end fiscal 2006, constituting 77.2% of our total funding (comprising deposits, borrowings and subordinated debt) compared to 70.5% at year-end fiscal 2005.

Net interest margin for fiscal 2006 was 2.7% as the positive impact of equity capital raising was offset by increased cost of deposits and lower contribution of securitization gains.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of our non-interest income.

	Year ended March 31,			
	2005	**2006**	**2006**	**% change**
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs.19,210.0	Rs.30,019.6	US$ 653	56.3
Income from treasury-related activities	8,606.8	11,693.5	255	35.8
Lease income	4,077.6	3,606.4	79	(11.5)
Other income	2,267.0	4,511.9	98	99.0
Total non-interest income	**Rs.34,161.4**	**Rs.49,831.4**	**US$1,085**	**45.9**

Non-interest income increased by 45.9% to Rs. 49.83 billion (US$ 1,084 million) in fiscal 2006 from Rs. 34.16 billion (US$ 743 million) in fiscal 2005 primarily due to a 56.3% increase in commission, exchange and brokerage to Rs. 30.02 billion (US$ 653 million) in fiscal 2006 from Rs. 19.21 billion (US$ 418 million) in fiscal 2005 and a 35.8% increase in income from treasury-related activities to Rs. 11.69 billion (US$ 254 million) in fiscal 2006 from Rs. 8.61 billion (US$ 187 million) in fiscal 2005.

Commission, exchange and brokerage increased by 56.3% primarily due to growth in credit card fees and third-party product distribution fees, increase in income from remittances and other fees from international banking business and growth in corporate banking fees. During fiscal 2006, retail products and services contributed about 58% of total fee income, corporate products and services contributed about 30% and international products and services contributed the balance of 12%.

Total income from treasury-related activities increased by 35.8% to Rs. 11.69 billion (US$ 255 million) in fiscal 2006 from Rs. 8.61 billion (US$ 187 million) in fiscal 2005 primarily due to an increase in the profit on sale of equity investments. Capital gains on shares were Rs. 6.77 billion (US$ 147 million) for fiscal 2006 compared to Rs. 4.61 billion (US$ 100 million) for fiscal 2005, as we continued to capitalize on the opportunities created by the buoyant equity markets through divestment of certain of our non-core investments and through proprietary trading operations. Income from treasury-related activities includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged internally or in the inter-bank market, and income from merchant foreign exchange transactions.

Lease income decreased by 11.5% to Rs. 3.61 billion (US$ 79 million) in fiscal 2006 from Rs. 4.08 billion (US$ 89 million) in fiscal 2005 primarily due to a reduction in lease assets since we are not entering into new lease transactions. Total leased assets were Rs. 11.74 billion (US$ 0.3 billion) at year-end fiscal 2006 compared to Rs. 14.53 billion (US$ 0.3 billion) at year-end fiscal 2005.

Other income increased by 99.0% to Rs. 4.51 billion (US$ 98 million) for fiscal 2006 compared to Rs. 2.27 billion (US$ 49 million) for fiscal 2005 primarily due to an increase in dividend from subsidiaries and gains from buyback of shares by subsidiaries services. Other income includes the unrealized gain/loss on certain derivative transactions.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,			
	2005	**2006**	**2006**	**% change**
	(in millions, except percentages)			
Employee expenses	Rs. 7,374.1	Rs.10,822.9	US$ 235	46.8
Depreciation on fixed assets other than leased assets (including non-banking assets)	2,933.7	3,471.7	76	18.3
Rent, taxes & lighting	1,853.4	2,348.0	51	26.7
Printing & stationery	876.6	1,110.4	24	26.7
Postage, telephone & courier	1,736.3	2,157.6	47	24.3
Repairs & maintenance	2,159.5	2,580.7	56	19.5
Insurance	597.2	1,080.3	24	80.9
Advertisement	1,162.6	1,855.5	40	59.6
Others	6,473.7	10,047.6	219	55.2
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	**Rs.25,167.1**	**Rs.35,474.7**	**US$ 772**	**40.9**
Depreciation (net of lease equalization) on leased assets	2,969.9	2,766.3	60	(6.9)
Direct marketing agency expenses	8,545.7	11,770.6	256	37.7
Total non-interest expense	**Rs.36,682.7**	**Rs.50,011.5**	**US$1,088**	**36.3**

Non-interest expense (excluding direct marketing agency expense and lease depreciation) increased by 40.9% for fiscal 2006 to Rs. 35.47 billion (US$ 772 million) from Rs. 25.17 billion (US$ 548 million) for fiscal 2005 primarily due to 46.8% increase in employee expenses.

Employee expenses increased by 46.8% to Rs. 10.82 billion (US$ 235 million) in fiscal 2006 from Rs. 7.37 billion (US$ 160 million) in fiscal 2005 primarily due to a 40.8% increase in the number of employees to 25,384 at year-end fiscal 2006 from 18,029 at year-end fiscal 2005. The increase in the number of employees was commensurate with the growth in business.

Depreciation on fixed assets other than leased assets, increased by 18.3% to Rs. 3.47 billion (US$ 76 million) from Rs. 2.93 billion (US$ 64 million) primarily due to additions to premises of Rs. 1.45 billion (US$ 32 million) and other fixed assets of Rs. 4.36 billion (US$ 95 million) during fiscal 2006.

Other operating expenses increased primarily due to the increased volume of business, particularly in retail banking and includes maintenance of ATMs, credit card related expenses, call centre expenses and technology expenses. The number of savings accounts increased to about 8.9 million at year-end fiscal 2006 from about 7.5 million at year-end fiscal 2005. The number of credit cards issued increased to about 5.2 million at year-end fiscal 2006 from about 3.3 million at year-end fiscal 2005. The number of branches (excluding foreign branches and OBUs) and extension counters increased to 614 at year-end fiscal 2006 from 562 at year-end fiscal 2005. ATMs increased to 2,200 at year-end fiscal 2006 from 1,910 at year-end fiscal 2005.

Depreciation (net of lease equalization) on leased assets decreased 6.9% to Rs. 2.77 billion (US$ 60 million) in fiscal 2006 from Rs. 2.97 billion (US$ 65 million) in fiscal 2005.

We use marketing agents, called direct marketing agents or associates, for sourcing retail assets. These commissions are expensed upfront and not amortized over the life of the loan. Commissions paid to these direct marketing agents for retail assets are included in non-interest expense. Effective April 1, 2006, the commissions paid to direct marketing agents or associates in connection with sourcing our automobile loans accounted for on an upfront basis, which were earlier deducted from interest income, have been included under non-interest expense. The interest income and operating expense for fiscal 2005 and fiscal 2006 have also been regrouped accordingly. We incurred direct marketing agency expenses of Rs. 11.77 billion (US$ 256 million) on the retail asset portfolio in fiscal 2006 compared to Rs. 8.54 billion (US$ 186 million) in fiscal 2005, with the increase being commensurate with growth in business volumes.

Provisions and Contingencies

The following table sets forth, for the periods indicated, the components of provisions and contingencies.

	Year ended March 31,			
	2005	2006	2006	% change
	(in millions, except percentages)			
Provision for investments (including credit substitutes)(net)	Rs. 5,415.6	Rs. 7,766.6	US$169	43.4
Provision for non-performing assets (including provision for standard assets)[(1)]	(1,213.6)	7,947.3	173	(754.9)
Others	86.0	226.8	5	163.7
Total provisions	**Rs. 4,288.0**	**Rs.15,940.7**	**US$347**	**271.8**

(1) We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, gross non-performing assets are reported gross of provisions net of cumulative write-offs in our financial statements.

Provisions and contingencies (excluding provisions for tax) increased to Rs. 15.94 billion (US$ 347 million) in fiscal 2006 from Rs. 4.29 billion (US$ 93 million) in fiscal 2005 primarily due to the significantly higher level of amortization of premium on government securities in fiscal 2006 (Rs. 8.02 billion (US$ 175 million), compared to Rs. 2.76 billion (US$ 60 million) in fiscal 2005) primarily due to an increase in the investments in government securities, transfer of a substantial portion of the investments in government securities from "available for sale" to "held to maturity category" in the second half of fiscal 2005 and lower level of write-backs in fiscal 2006. With effect from the quarter ended December 31, 2005, the Reserve Bank of India increased the requirement of general provisioning on standard loans (excluding loans to the agricultural sector and small and medium enterprises) to 0.40% compared to 0.25% applicable until September 30, 2005. In accordance with these guidelines we made general provision of Rs. 3.39 billion (US$ 74 million) in fiscal 2006. During fiscal 2006, we reassessed our provision requirement on performing loans and non-performing loans on a portfolio basis and wrote back an amount of Rs. 1.69 billion (US$ 37 million) from the provisions against non-performing loans, which were in excess of the regulatory requirement.

Tax Expense

The following table sets forth, for the periods indicated, details of tax expense computation.

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2006
	(in millions)		
Tax at marginal rate on income	**Rs. 9,236.7**	**Rs. 10,423.2**	**US$ 227**
Adjustments			
Difference in book and tax depreciation	1,800.0	2,351.8	51
Bad debts written off	(13,839.5)	(1,454.2)	(32)
Special reserve under section 36(1)(viii)	—	(2,500.0)	(54)
Surplus on sale of property/assets	20.8	(71.2)	(2)
Dividend exempt interest and other income	(2,660.0)	(4,620.0)	(101)
Tax-free Income exempt under Section 10(15)(iv)(h) & 10(23G)	(580.0)	(230.0)	(5)
Capital gains on sale of shares	(3,940.0)	(5,961.6)	(130)
Fair value utilization	(2,510.0)	—	—
Other adjustments	1,728.0	715.5	16
Net adjustments	(19,980.80)	(11,769.7)	(257)
Tax (savings)/outgo thereon—other than capital gains	(7,311.5)	(3,961.7)	(86)
Capital gains on sale of shares	204.9	96.5	2
Tax (savings)/outgo thereon	(7,106.5)	(3,865.2)	(84)
Add/(less): Deferred taxes and other tax provisions	3,059.9	(1,023.0)	(22)
Total income tax	**Rs. 5,190.0**	**Rs. 5,535.0**	**US$ 120**
Wealth tax	30.0	30.0	1
Total taxation	**Rs. 5,220.0**	**Rs. 5,565.0**	**US$ 121**

Notes:

Adjusted profit before taxation	Rs. 25,242.0	Rs. 30,966.1	US$ 674
Marginal rates of tax-other than long term capital gains	36.59%	33.66%	
Long-term capital gains	10.46%	11.22%	

Income tax expense (including wealth tax) increased by 6.7% to Rs. 5.57 billion (US$ 121 million) in fiscal 2006 from Rs. 5.22 billion (US$ 114 million) in fiscal 2005 as effective income tax rate decreased to 18.0% in fiscal 2006 from 20.7% in fiscal 2005. The effective income tax rate continued to be lower than the statutory rates for fiscal 2006 primarily due to exempt interest and dividend income and the charging of certain income at rates other than the statutory rate, off-set in part, by the disallowance of certain expenses for tax purposes. Further, during fiscal 2006, we created a deferred tax asset on carried forward capital losses based on our firm plans that sufficient taxable capital gains will be available in future against which the losses can be set off.

Financial Condition

Our total assets increased by 49.9% to Rs. 2,513.89 billion (US$ 54.7 billion) at year-end fiscal 2006 from Rs. 1,676.59 billion (US$ 36.5 billion) at year-end fiscal 2005. Net advances increased by 59.9% to Rs. 1,461.63 billion (US$ 31.8 billion) at year-end fiscal 2006 from Rs. 914.05 billion (US$ 19.9 billion) at year-end fiscal 2005 primarily due to an increase in retail advances in accordance with our strategy of growth in its retail portfolio, offset, in part by a reduction in advances due to repayments and securitization. Retail advances increased by 64.2% to Rs. 921.98 billion (US$ 20.1 billion) at year-end fiscal 2006 from Rs. 561.34 billion (US$ 12.2 billion) at year-end fiscal 2005. Total investments at year-end fiscal 2005 increased by 41.7% to Rs. 715.47 billion (US$ 15.6 billion) from Rs. 504.87 billion (US$ 11.0 billion) at year-end fiscal 2005. SLR investments (represents Indian government securities considered towards meeting the statutory liquidity ratio requirement) at year-end fiscal 2006 increased by 48.1% to Rs. 510.74 billion (US$ 11.1 billion) from Rs. 344.82 billion (US$ 7.5 billion) at year-end fiscal 2005, in line with the growth in the balance sheet. Other investments (including debentures & bonds) at year-end fiscal 2006 increased by 27.9% to Rs. 204.73 billion (US$ 4.5 billion) from Rs. 160.06 billion (US$ 3.5 million) at year-end fiscal 2005, reflecting increase in investments in insurance and international subsidiaries, pass-through certificates and credit-linked notes. Total assets (gross) of overseas branches (including overseas banking unit in Mumbai) increased by 117.3% to Rs. 275.86 billion (US$ 6.0 billion) at year-end fiscal 2006 from Rs. 126.96 billion (US$ 2.8 billion) at year-end fiscal 2005.

Our equity share capital and reserves at year-end fiscal 2006 increased by 76.9% to Rs. 222.06 billion (US$ 4.8 billion) from Rs. 125.50 billion (US$ 2.7 billion) at year-end fiscal 2005, as a result of the equity capital of Rs. 80.01 billion (US$ 1.7 billion) raised during the year and the retained profit for the year. Total deposits increased by 65.4% to Rs. 1,650.83 billion (US$ 35.9 billion) at year-end fiscal 2006 from Rs. 998.19 billion (US$ 21.7 billion) at year-end fiscal 2005. Our savings account deposits increased by 83.8% to Rs. 209.37 billion (US$ 4.6 billion) at year-end fiscal 2006 from Rs. 113.92 billion (US$ 2.5 billion) at year-end fiscal 2005, while other demand deposits increased by 29.1% to Rs. 165.73 billion (US$ 3.6 billion) at year-end fiscal 2006 from Rs. 128.37 billion (US$ 2.8 billion) at year-end fiscal 2005. Term deposits increased by 68.8% to Rs. 1,275.73 billion (US$ 27.8 billion) at year-end fiscal 2006 from Rs. 755.90 billion (US$ 16.5 billion) at year-end fiscal 2005. Total borrowings increased by 14.8% to Rs. 385.22 billion (US$ 8.4 billion) at year-end fiscal 2006 from Rs. 335.44 billion (US$ 7.3 billion) at year-end fiscal 2005.

Summary Fiscal 2005 Compared to Fiscal 2004

Profit after tax increased by 22.5% to Rs. 20.05 billion for fiscal 2005 from Rs. 16.37 billion in fiscal 2004. Profit before provisions and tax increased by 19.2% to Rs. 29.56 billion in fiscal 2005 from Rs. 24.81 billion in fiscal 2004 primarily due to a 39.9% increase in net interest income to Rs. 32.08 billion in fiscal 2005 from Rs. 22.93 billion in fiscal 2004, a 79.2% increase in commission, exchange and brokerage to Rs. 19.21 billion in fiscal 2005 from Rs. 10.72 billion in fiscal 2004 offset, in part, by a decrease in the income from treasury-related activities by Rs. 5.57 billion to Rs. 8.61 billion in fiscal 2005 from Rs. 14.18 billion in fiscal 2004 and an increase in non-interest expenses by Rs. 7.92 billion to Rs. 36.69 billion in fiscal 2005 from Rs. 28.77 billion in fiscal 2004. Provisions and contingencies (excluding tax provisions) decreased by 25.9% to Rs. 4.29 billion in fiscal 2005 from Rs. 5.79 billion in fiscal 2004.

Net interest income increased by 39.9% to Rs. 32.08 billion in fiscal 2005 from Rs. 22.93 billion in fiscal 2004, reflecting an increase of 18.1% in the average volume of interest-earning assets. Effective April 1, 2006, the commissions paid to direct marketing agency expenses or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense. The interest income in fiscal 2005 and fiscal 2004 does not include these commissions as it has been regrouped as non-interest expense.

Commission, exchange and brokerage increased by 79.2% to Rs. 19.21 billion in fiscal 2005 from Rs. 10.72 billion in fiscal 2004, primarily due to growth in retail liability product income such as account servicing charges, and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking.

Income from treasury-related activities decreased by Rs. 5.57 billion to Rs. 8.61 billion in fiscal 2005 from Rs. 14.18 billion in fiscal 2004 primarily due to a decrease in profit on the sale of investments to Rs. 5.46 billion in fiscal 2005 from Rs. 12.25 billion in fiscal 2004.

Non-interest expenses (including direct marketing agency expenses) increased by 27.5% to Rs. 36.69 billion in fiscal 2005 from Rs. 28.76 billion in fiscal 2004 primarily due to a 35.0% increase in employee expenses and a 24.7% increase in other administrative expenses.

Provisions and contingencies (excluding tax provisions) decreased by 25.9% to Rs. 4.29 billion in fiscal 2005 from Rs. 5.79 billion in fiscal 2004 primarily due to lower additions to non-performing assets.

Total assets increased by 33.9% to Rs. 1,676.59 billion at year-end fiscal 2005 from Rs. 1,252.29 billion at year-end fiscal 2004.

Net Interest Income

Net interest income increased by 39.9% to Rs. 32.08 billion in fiscal 2005 from Rs. 22.93 billion in fiscal 2004, reflecting mainly the following:

- an increase of Rs. 178.21 billion or 18.1% in the average volume of interest-earning assets; and
- an increase in the net interest margin by 0.5% to 2.8% in fiscal 2005 from 2.3% in fiscal 2004.

The average volume of interest-earning assets increased to Rs. 178.21 billion during fiscal 2005 primarily due to the increase in average advances of Rs. 152.75 billion, and an increase in average investments and other average interest-earning assets of Rs. 25.46 billion. The increase in the average advances was mainly due to increased disbursements of retail finance loans, offset, in part, by securitization of loans and repayment of existing loans.

Interest income increased by 5.1% to Rs. 97.79 billion in fiscal 2005 from Rs. 93.08 billion in fiscal 2004 primarily due to an increase of 18.1% in average interest-earning assets, offset, in part, by a 1.1% decrease in yield on average interest-earning assets. Yield on average interest-earning assets decreased by 1.1% to 8.4% in fiscal 2005 compared to 9.5% in fiscal 2004, primarily due to a decline in the yield on advances to 9.9% in fiscal 2005 from 11.2% in fiscal 2004 and a decline in the yield on average investments from 7.6% in fiscal 2004 to 6.4% in fiscal 2005. Effective April 1, 2006, the commissions paid to direct marketing agency expenses or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense. The interest income in fiscal 2005 and fiscal 2004 does not include these commissions as it has been regrouped as non-interest expense.

Total interest expense decreased 6.3% to Rs. 65.71 billion in fiscal 2005 from Rs. 70.15 billion in fiscal 2004, primarily due to a decline in the cost of funds to 5.8% in fiscal 2005 from 7.1% in fiscal 2004, offset, in part by an increase of 15.0% in the volume of average interest-bearing liabilities to Rs. 1,138.25 billion for fiscal 2005. Cost of funds decreased primarily due to the impact of repayment of the higher cost borrowings of ICICI acquired on amalgamation, lower interest rates on new borrowings as well as a reduction in cost of deposit to 4.5% in fiscal 2005 from 5.4% in fiscal 2004.

As a result of the 1.3% decline in the cost of funds, offset, in part, by a 1.1% decline in yield on average interest-earning assets, net interest margin increased to 2.8% in fiscal 2005 from 2.3% in fiscal 2004.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of our non-interest income.

	Year ended March 31,		
	2004	2005	% change
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 10,718.0	Rs. 19,210.0	79.2
Income from treasury-related activities	14,172.6	8,606.8	(39.3)
Lease income	4,210.7	4,077.6	(3.2)
Other income	1,547.9	2,267.0	46.5
Total non-interest income	**Rs. 30,649.2**	**Rs. 34,161.4**	**11.5**

Non-interest income increased by 11.5% to Rs. 34.16 billion in fiscal 2005 from Rs. 30.65 billion in fiscal 2004 primarily due to a 79.2% increase in commission, exchange and brokerage to Rs. 19.21 billion in fiscal 2005 from Rs. 10.72 billion in fiscal 2004 offset, in part, by a decrease in income from treasury-related activities by 39.3% to Rs. 8.61 billion in fiscal 2005 from Rs. 14.18 billion in fiscal 2004.

Commission, exchange and brokerage increased by 79.2% primarily due to growth in fee income from retail products and services, including fees arising from retail asset products like home loans and credit cards and retail liability-related income like account servicing charges, and an increase in transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking. During this period we increased charges and introduced fresh charges for some of the services that we offer to our deposit customers. During this period there was also a significant increase in the business volumes of transaction banking services such as bankers acceptances, bank guarantees and cash management services.

Total income from treasury-related activities decreased to Rs. 8.61 billion in fiscal 2005 from Rs. 14.18 billion due to the decrease in trading profits on government securities and corporate debt securities as a result of the increasing interest rates in the fixed income market. During fiscal 2005 the yield on 10-year Government of India securities increased by 1.52% to 6.68%. During fiscal 2004, the yield on 10-year Government of India securities had declined by 1.05% and we had capitalized on this decline to realize a high level of trading profits on fixed income securities. The level of trading profits is volatile as it depends on specific market conditions, which may or may not be favorable. Income from treasury related activity includes income from derivatives reflecting primarily the transactions undertaken with customers by us and income from merchant foreign exchange transactions.

Lease income decreased by 3.5% to Rs. 4.08 billion in fiscal 2005 from Rs. 4.21 billion in fiscal 2004 primarily due to a reduction in leased assets since we are not entering into new lease transactions. Our total leased assets were Rs. 14.53 billion at year-end fiscal 2005 compared to Rs. 16.63 billion at year-end fiscal 2004.

Other income increased by 47.7% to Rs. 2.26 billion in fiscal 2005 compared to Rs. 1.54 billion in fiscal 2004 primarily due to a 49.1% increase in income earned by way of dividends from subsidiaries to Rs. 1.88 billion in fiscal 2005 from Rs. 1.26 billion in fiscal 2004. Other income includes the unrealized gain/loss on certain derivative transactions.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,		
	2004	**2005**	**% change**
	(in millions, except percentages)		
Employee expenses	Rs. 5,460.6	Rs. 7,374.1	35.0
Depreciation on own property (including non-banking assets)	2,609.3	2,933.7	12.4
Auditors' fees and expenses	16.8	17.6	4.8
Other administrative expenditure	11,903.5	14,841.7	24.7
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	**Rs.19,990.2**	**Rs.25,167.1**	**25.9**
Depreciation (including lease equalization) on leased assets	2,785.1	2,969.9	6.6
Direct marketing agency expenses	5,999.5	8,545.7	42.4
Total non-interest expense	**Rs.28,774.8**	**Rs.36,682.7**	**27.5**

Non-interest expense increased by 27.5% to Rs. 36.69 billion in fiscal 2005 from Rs. 28.76 billion in fiscal 2004 primarily due to a 35.0% increase in employee expenses and a 24.7% increase in other administrative expenses.

Employee expenses increased by 35.0% to Rs. 7.37 billion in fiscal 2005 from Rs. 5.46 billion in fiscal 2004 primarily due to a 32.5% increase in the number of employees to 18,029 at year-end fiscal 2005 from 13,609 at year-end fiscal 2004. The increase in number of employees was commensurate with the growth in our retail business operations. We implemented an Early Retirement Option Scheme for employees in July 2003. In accordance with the treatment approved by the Reserve Bank of India, the ex-gratia payments under the Early Retirement Option Scheme, termination benefits and leave encashment in excess of the provisions made (net of tax benefits), aggregating to Rs. 1.91 billion, are being amortized over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the option being July 31, 2003). An amount of Rs. 384.0 million was expensed in fiscal 2005 compared to Rs. 256.0 million in fiscal 2004 on account of the Early Retirement Option Scheme.

Other administrative expenses increased by 24.7% to Rs. 14.84 billion in fiscal 2005 from Rs. 11.90 billion in fiscal 2004 primarily due to the increased volume of business, particularly in retail banking, including maintenance of ATMs, credit card expenses, call centre expenses and technology expenses. The volume of credit cards issued increased to approximately 3.3 million at year-end fiscal 2005 from approximately 2.2 million at year-end fiscal 2004. The number of ATMs increased to 1,910 at year-end fiscal 2005 from 1,790 at year-end fiscal 2004. The number of branches and extension counters increased to 562 at year-end fiscal 2005 from 469 at year-end fiscal 2004.

We incurred direct marketing agency expenses of Rs. 8.55 billion on the retail asset portfolio in fiscal 2005 compared to Rs. 6.00 billion in fiscal 2004, in commensuration with the growth in retail business volumes. Effective April 1, 2006, the commissions paid to direct marketing agents or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense. The interest income in fiscal 2005 and fiscal 2004 does not include these commissions as it has been regrouped as non-interest expense.

Provisions and contingencies

The following table sets forth, for the periods indicated, the components of provisions and contingencies.

	Year ended March 31,		
	2004	**2005**	**% change**
	(in millions, except percentages)		
Provision for investments (including credit substitutes) (net)	Rs. 987.1	Rs. 5,415.6	448.6
Provision for non-performing assets (including provision for standard assets)(1)	4,591.2	(1,213.6)	(126.4)
Others	207.9	86.0	(58.6)
Total provisions	**Rs.5,786.2**	**Rs. 4,288.0**	**(25.9)**

(1) We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, gross non-performing assets are reported gross of provisions and net of cumulative write-offs in our financial statements.

Total provisions decreased by 25.9% to Rs. 4.29 billion in fiscal 2005 from Rs. 5.79 billion in fiscal 2004. During fiscal 2005, we had transferred investments amounting to Rs. 213.5 billion from available for sale category to held to maturity category in accordance with the Reserve Bank of India guidelines. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs. 1.83 billion is included in the provision on investments. In addition, provision on investments was high in fiscal 2005 on account of higher amount of amortization of premium on government securities classified in the held to maturity category. We wrote back a provision on loan losses of Rs. 1.21 billion in fiscal 2005 as compared to a provision of Rs. 4.59 billion in fiscal 2004 primarily due to lower additions to non-performing assets and release of excess provisions in fiscal 2005.

Tax Expense

The following table sets forth, for the periods indicated, details of tax expense computation.

	Year ended March 31, 2004	Year ended March 31, 2005
	(in millions)	
Tax at marginal rate on income	**Rs. 6,815.6**	**Rs. 9,326.7**
Adjustments		
Difference in book and tax depreciation	495.8	1,800.0
Bad debts written off	1,241.9	(13,839.5)
Surplus on sale of property/assets	18.5	20.8
Dividend, exempt interest and other income	(2,876.6)	(3,240.0)
Capital gains on sale of shares	(4,013.4)	(3,940.0)
Fair value utilization	(8,663.8)	(2,510.0)
Other adjustments	1,152.2	1,728.0
Net adjustments	(12,645.4)	(19,980.8)
Tax (savings)/outgo thereon—other than capital gains	(4,536.5)	(7,311.5)
Capital gains on sale of shares	211.4	204.9
Tax (savings)/outgo thereon	(4,325.1)	(7,106.6)
Add/(less): Deferred taxes and other tax provisions	136.7	3,059.9
Total income tax	**Rs. 2,627.2**	**5,190.0**
Wealth tax	24.0	30.0
Total taxation	**Rs. 2,651.2**	**Rs. 5,220.0**
Notes:		
Adjusted profit before taxation	Rs. 18,998.2	Rs. 25,242.0
Marginal rates of tax—other than long-term capital gains	35.88%	36.59%
Long-term capital gains	10.25%	10.46%

Income tax expense (including wealth tax) amounted to Rs. 5.22 billion in fiscal 2005 from Rs. 2.65 billion in fiscal 2004 as the effective tax expense rate increased to 20.7% in fiscal 2005 from 13.9% in fiscal 2004. The effective tax expense rate has increased primarily due to higher utilization of fair value provisions against ICICI's portfolio in fiscal 2004 compared to fiscal 2005.

Financial Condition

Our total assets increased by 33.9% to Rs. 1,676.59 billion at year-end fiscal 2005 from Rs. 1,252.29 billion at year-end fiscal 2004 primarily due to an increase in advances and investments. Net advances increased by 45.9% to Rs. 914.05 billion at year-end fiscal 2005 from Rs. 626.48 billion at year-end fiscal 2004 primarily due to an increase in retail advances in accordance with our strategy to increase our retail asset portfolio, offset, in part, by a reduction due to repayments and securitization of loans. Total investments at year-end fiscal 2005 increased by 16.2% to Rs. 504.87 billion from Rs. 434.36 billion at year-end fiscal 2004 primarily due to a 15.3% increase in investments in government and other approved securities in India to Rs. 344.82 billion at year-end fiscal 2005 from Rs. 299.18 billion at year-end fiscal 2004. Other assets increased by 32.9% to Rs. 87.99 billion at year-end fiscal 2005 from Rs. 66.18 billion at year-end fiscal 2004.

During April 2004, we made a Rs. 32.46 billion offering of equity shares. Our equity share capital and reserves at year-end fiscal 2005 increased by 56.7% to Rs. 125.50 billion from Rs. 80.10 billion (US$ 1.8 billion) at year-end fiscal 2004. Total deposits increased by 46.6% to Rs. 998.19 billion at year-end fiscal 2005 from Rs. 681.09 billion at year-end fiscal 2004. Our savings account deposits increased by 36.1% to Rs. 113.92 billion at year-end fiscal 2005 from Rs. 83.72 billion at year-end fiscal 2004, while other demand deposits increased by

76.8% to Rs. 128.37 billion at year-end fiscal 2005 from Rs. 72.59 billion at year-end fiscal 2004. Term deposits increased by 44.0% to Rs. 755.90 billion at year-end fiscal 2005 from Rs. 524.78 billion at year-end fiscal 2004. Total deposits at year-end fiscal 2005 constituted 70.5% of our funding (i.e., deposits, borrowings and subordinated debt) compared to 63.1% at year-end fiscal 2004. Borrowings (including subordinated debt) increased to Rs. 417.53 billion at year-end fiscal 2005 from Rs. 398.46 billion at year-end fiscal 2004.

Summary Fiscal 2004 compared to Fiscal 2003

Profit before provisions and tax increased by 79.8% to Rs. 24.81 billion in fiscal 2004 from Rs. 13.80 billion (excluding capital gains on sale of our shares held by ICICI) in fiscal 2003 primarily due to a sharp increase in the income from treasury related activities by 181.9% to Rs. 14.18 billion in fiscal 2004 from Rs. 5.02 billion in fiscal 2003, an increase in net interest income by 45.0% to Rs. 22.93 billion in fiscal 2004 from Rs. 15.81 billion in fiscal 2003 and an increase in commission, exchange and brokerage by 35.4% to Rs. 10.72 billion in fiscal 2004 from Rs. 7.92 billion in fiscal 2003, offset, in part, by an increase in non-interest expenses by 32.6% to Rs. 28.76 billion in fiscal 2004 from Rs. 21.69 billion in fiscal 2003. After considering provisions and tax, profit after tax increased by 35.7% to Rs. 16.37 billion in fiscal 2004 from Rs. 12.06 billion in fiscal 2003.

In accordance with the Scheme of Amalgamation, 101.4 million of our shares held by ICICI had been transferred to the ICICI Bank Shares Trust. During fiscal 2003, the ICICI Bank Shares Trust divested its shareholding in us at an average price of approximately Rs. 130 per share (the average acquisition cost of ICICI being approximately Rs. 12.27 per share), resulting in capital gains of Rs. 11.91 billion.

Net interest income increased by 45.0% to Rs. 22.93 billion in fiscal 2004 from Rs. 15.81 billion in fiscal 2003, reflecting an increase of 7.9% in the average volume of interest-earning assets and an increase in spread by 0.9% to 2.4%. Effective April 1, 2006, the commissions paid to direct marketing agency expenses or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense. The interest income in fiscal 2004 and fiscal 2003 does not include these commissions as it has been regrouped as non-interest expense.

Commission, exchange and brokerage increased by 35.4% to Rs. 10.72 billion in fiscal 2004 from Rs. 7.92 billion in fiscal 2003, primarily due to growth in retail banking fee income arising from retail asset products like home loans and credit cards and retail liability related income such as account servicing charges as well as an increase in transaction banking fee income from corporate clients.

Income from treasury-related activities increased sharply by 181.9% to Rs. 14.18 billion in fiscal 2004 from Rs. 5.02 billion in fiscal 2003 primarily due to an increase in the profit on sale of investments to Rs. 12.25 billion in fiscal 2004 from Rs. 4.92 billion in fiscal 2003.

Non-interest expenses increased by 32.6% to Rs. 28.76 billion in fiscal 2004 from Rs. 21.69 billion in fiscal 2003 primarily due to a 35.5% increase in employee expenses.

Provisions and contingencies (excluding tax provisions) decreased by 67.7% to Rs. 5.79 billion in fiscal 2004 from Rs. 17.91 billion in fiscal 2003 primarily due to higher additional/accelerated provisions made on ICICI's portfolio in fiscal 2003.

Total assets increased by 17.2% to Rs. 1,252.29 billion at year-end fiscal 2004 from Rs. 1,068.12 billion at year-end fiscal 2003.

Net Interest Income

Net interest income increased by 45.0% to Rs. 22.93 billion in fiscal 2004 from Rs. 15.81 billion in fiscal 2003, reflecting mainly the following:

- an increase of Rs. 71.94 billion or 7.9% in the average volume of interest-earning assets; and
- an increase in the spread by 0.9% to 2.4% in fiscal 2004 from 1.5% in fiscal 2003.

The average volume of interest-earning assets increased by Rs. 71.94 billion in fiscal 2004 primarily due to the increase in average advances by Rs. 65.14 billion, and an increase in average investments and other average interest-earning assets by Rs. 6.80 billion. The increase in the average advances was mainly due to increased disbursements of retail finance loans, offset, in part, by securitization of loans and repayment of existing loans.

While both interest income and interest expense declined in line with the declining interest rate trend in the market, interest expense declined more sharply than interest income. Effective April 1, 2006, the commissions paid to direct marketing agents or associates in connection with sourcing of our automobile loans accounted for on an upfront basis have been included under non-interest expense. The interest income in fiscal 2004 and fiscal 2003 does not include these commissions as it has been regrouped as non-interest expense. Total interest income decreased by 2.3% to Rs. 93.08 billion in fiscal 2004 from Rs. 95.25 billion in fiscal 2003 primarily due to a decline in the yield on average interest-earning assets. Yield on average interest-earning assets decreased by 0.9% to 9.5% in fiscal 2004 compared to 10.4% in fiscal 2003, primarily due to the decline in the yield on investments and advances. While the yield on average advances declined by 1.1% to 11.2% in fiscal 2004, the yield on average investments declined by 1.4% to 7.6% in fiscal 2004.

Total interest expense decreased by 11.7% to Rs. 70.15 billion in fiscal 2004 from Rs. 79.44 billion in fiscal 2003, primarily due to a decline in the cost of funds to 7.1% for fiscal 2004 from 8.9% in fiscal 2003, offset, in part by an increase of 11.0% in the volume of average interest-bearing liabilities to Rs. 989.66 billion for fiscal 2004. Cost of funds decreased primarily due to the impact of repayment of the higher cost borrowings of ICICI acquired on amalgamation and due to the reduction in the cost of deposits to 5.4% in fiscal 2004 from 6.8% in fiscal 2003. Total deposits at year-end fiscal 2004 constituted 63.1% of our funding (i.e., deposits, borrowings and subordinated debts) compared to 52.2% at year-end fiscal 2003.

As a result of the 1.8% decline in the cost of funds, offset, in part by a 0.9% decline in yield on average interest-earning assets, net interest margin increased to 2.3% for fiscal 2004 from 1.7% for fiscal 2003.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of our non-interest income.

	Year ended March 31,		
	2003	**2004**	**% change**
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 7,917.9	Rs.10,718.0	35.4
Income from treasury-related activities	5,026.8	14,172.6	181.9
Lease income	5,374.2	4,210.7	(21.6)
Other income(1)	1,358.8	1,547.9	13.9
Total non-interest income	**Rs.19,677.7**	**Rs.30,649.2**	**55.8**

(1) Excludes capital gains of Rs. 11.91 billion realized during fiscal 2003 on our sale of shares held by ICICI, which were transferred to the ICICI Bank Shares Trust pursuant to the Scheme of Amalgamation.

For the purpose of analysis below, total non-interest income excludes capital gains of Rs. 11.91 billion in fiscal 2003 realized on the sale of our shares held by ICICI which were transferred to a trust at the time of amalgamation.

Non-interest income increased by 55.8% to Rs. 30.65 billion in fiscal 2004 from Rs. 19.68 billion in fiscal 2003 primarily due to an increase of 35.4% in commission, exchange and brokerage, a 181.9% increase in income from treasury-related activities and an increase of 13.0% in other income.

The increase in commission, exchange and brokerage by 35.4% to Rs. 10.72 billion in fiscal 2004 from Rs. 7.92 billion in fiscal 2003 was primarily due to growth in retail banking fee income arising from retail asset products such as home loans and credit cards and retail liability related income such as account servicing charges.

The total income from treasury-related activities increased to Rs. 14.18 billion in fiscal 2004 from Rs. 5.02 billion in fiscal 2003 was due to the increase in trading profits on government securities and corporate debt securities as a result of the declining interest rate environment. Income from treasury related activity includes income from derivatives reflecting primarily the transactions undertaken with customers by us and income from the merchant foreign exchange transactions.

Lease income decreased by 21.6% to Rs. 4.21 billion in fiscal 2004 from Rs. 5.37 billion in fiscal 2003 primarily because of a decrease in leased assets to Rs. 16.63 billion at year-end fiscal 2004 compared to Rs. 17.70 billion at year-end fiscal 2003.

Other income increased by 13.9% to Rs. 1.54 billion for fiscal 2004 compared to Rs. 1.37 billion for fiscal 2003. Other income includes loss of Rs. 19.1 million on sale of land, buildings and other assets for fiscal 2004 compared to loss of Rs. 65.0 million for fiscal 2003. It also includes income earned by way of dividend from subsidiaries of Rs. 1.26 billion for fiscal 2004 compared to Rs. 1.09 billion for fiscal 2003.

Non-interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,		
	2003	2004	% change
	(in millions, except percentages)		
Employee expenses	Rs. 4,030.3	Rs. 5,460.6	35.5
Depreciation on own property (including non-banking assets)	1,914.7	2,609.3	36.3
Auditors' fees and expenses	15.0	16.8	12.0
Other administrative expenditure	9,389.1	11,903.5	26.8
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	**15,349.1**	**19,990.2**	**30.2**
Depreciation (including lease equalization) on leased assets	3,144.7	2,785.1	(11.4)
Direct marketing agency expenses	3,192.1	5,999.5	87.9
Total non-interest expense	**Rs.21,685.9**	**Rs.28,774.8**	**32.7**

Non-interest expense (excluding direct marketing agency expense and lease depreciation) increased by 30.2% to Rs. 19.98 billion in fiscal 2004 from Rs. 15.35 billion in fiscal 2003, primarily due to an increase in employee expenses by 35.5% to Rs. 5.46 billion in fiscal 2004 from Rs. 4.03 billion for fiscal 2003 as a result of an increase in the number of employees. Depreciation on owned property increased by 36.3% to Rs. 2.61 billion from Rs. 1.91 billion. There was an increase in premises and other fixed assets to Rs. 23.93 billion at year-end fiscal 2004 from Rs. 22.91 billion at year-end fiscal 2003. Depreciation on leased assets decreased to Rs. 2.79 billion for fiscal 2004 from Rs. 3.15 billion for fiscal 2003.

Other administrative expenses increased by 26.8% to Rs. 11.90 billion in fiscal 2004 from Rs. 9.39 billion in fiscal 2003 primarily due to the increased cost of business, particularly in retail including the maintenance of ATMs, credit card expenses, call centre expenses and technology expenses.

Direct marketing agency expenses increased by 87.9% to Rs. 6.00 billion in fiscal 2004 from Rs. 3.19 billion in fiscal 2003 primarily due to growth in our retail business. Effective April 1, 2006, the commissions paid to direct marketing agent or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense. The interest income in fiscal 2004 and fiscal 2003 does not include these commissions as it has been regrouped as non-interest expense.

Provisions and contingencies

The following table sets forth, for the periods indicated, the components of provisions and contingencies.

	Year ended March 31,		
	2003	2004	% change
	(in millions, except percentages)		
Provision for investments (including credit substitutes (net)	Rs. 3,094.3	Rs. 987.1	(68.1)
Provision for non-performing assets (including provision for standard assets)	14,749.8	4,591.2	(68.9)
Others	63.9	207.9	225.4
Total provisions	**Rs.17,908.0**	**Rs.5,786.2**	**(67.7)**

Depreciation of investments and provision for non-performing assets in fiscal 2003 included additional/accelerated provisions and write-offs against loans and investments of erstwhile ICICI. As a result, the total provisions including provisions on non-performing assets and depreciation on investments decreased by 67.7% to Rs. 5.79 billion in fiscal 2004 compared to Rs. 17.91 billion in fiscal 2003.

Income Tax Expense

The following table sets forth, for the periods indicated, details of our tax expense computation.

	Year ended March 31,	
	2003	2004
	(in millions)	
Tax at marginal rate on income	Rs. 2,859.7	Rs. 6,815.6
Adjustments		
Difference in book and tax depreciation	(170.0)	495.8
Bad debts written off	16,824.0	1,241.9
Surplus on sale of property/assets	70.0	18.5
Dividend, exempt interest and other income	(710.0)	(2,876.6)
Dividend exempt under Section 80M	(1,830.0)	—
Capital gains on sale of shares	(12,910.0)	(4,013.4)
Fair value utilization	(11,830.0)	(8,663.8)
Other adjustments	5,010.0	1,152.2
Net adjustments	(5,546.0)	(12,645.4)
Tax (savings)/outgo thereon—other than capital gains	(2,038.2)	(4,536.5)
Capital gains on sale of shares	910.0	211.4
Tax (savings)/outgo thereon	(1,128.2)	(4,325.1)
Deferred taxes and other tax provisions	(6,011.4)	136.7
Total income tax	**Rs. (4,279.9)**	**Rs. 2,627.2**
Wealth tax	22.5	24.0
Total taxation	**Rs. (4,257.4)**	**Rs. 2,651.2**

Notes:

Adjusted profit before taxation	Rs. 7,781.4	Rs. 18,998.2
Marginal rates of tax—other than long-term capital gains	36.75%	35.88%
Long-term capital gains	10.50%	10.25%

Income tax expense (including wealth tax) was Rs. 2.65 billion for fiscal 2004. We had an effective income tax benefit for fiscal 2003 due to a deferred tax asset created on additional/accelerated provisions made during the year. Accordingly, income tax expense (including wealth tax) was a net credit of Rs. 4.26 billion for fiscal 2003. The net credit in fiscal 2003 was on account of a deferred tax asset of Rs. 6.43 billion for fiscal 2003 compared to Rs. 68.8 million for fiscal 2004, arising primarily out of provisions for loan losses made in fiscal 2003.

Financial Condition

Our total assets increased by 17.2% to Rs. 1,252.29 billion at year-end fiscal 2004 from Rs. 1,068.12 billion at year-end fiscal 2003. Net advances increased by 17.6% to Rs. 626.48 billion at year-end fiscal 2004 from Rs. 532.79 billion at year-end fiscal 2003 primarily due to an increase in retail advances, offset, in part by a reduction in advances due to repayments and securitization of loans. Cash, balances with the Reserve Bank of India and banks and money at call and short notice at year-end fiscal 2004 were Rs. 84.71 billion compared to Rs. 64.89 billion at year-end fiscal 2003. Total investments at year-end fiscal 2004 increased to Rs. 434.36 billion compared to Rs. 354.62 billion at year-end fiscal 2003. Other assets decreased to Rs. 66.18 billion at year-end fiscal 2004 from Rs. 75.21 billion at year-end fiscal 2003.

Our equity share capital and reserves at year-end fiscal 2004 increased by 15.5% to Rs. 80.10 billion from Rs. 69.34 billion at year-end fiscal 2003. Total deposits increased by 41.4% to Rs. 681.09 billion at year-end fiscal 2004 from Rs. 481.69 billion at year-end fiscal 2003. Our savings account deposits increased to Rs. 83.72 billion at year-end fiscal 2004 from Rs. 37.93 billion at year-end fiscal 2003, while other demand deposits increased to Rs. 72.59 billion at year-end fiscal 2004 from Rs. 36.89 billion at year-end fiscal 2003. Term deposits increased by 29.0% to Rs. 524.78 billion at year-end fiscal 2004 from Rs. 406.87 billion at year-end fiscal 2003. Total deposits at year-end fiscal 2004 constituted 63.1% of our funding (i.e., deposit, borrowings and subordinated debts). Borrowings (including subordinated debt) decreased to Rs. 398.46 billion at year-end fiscal 2004 from Rs. 440.52 billion at year-end fiscal 2003.

Off Balance Sheet Items

The table below sets forth, for the periods indicated, the principal components of contingent liabilities.

	At March 31,					At September 30,	
	2002	**2003**	**2004**	**2005**	**2006**	**2006**	**2006**
	(Rupees in billions)						(US$ in billions)
Contingent liabilities							
Claims against bank not acknowledged as debts	Rs. 10.23	Rs. 20.25	Rs. 25.02	Rs. 27.46	Rs. 29.78	Rs. 36.89	US$ 0.8
Liability for partly paid investments	2.62	1.80	1.24	0.17	0.17	0.17	—
Liability on account of outstanding forward exchange contracts	152.55	251.03	557.04	714.85	918.32	1,081.25	23.6
Guarantees given on behalf of constituents	93.52	106.35	120.29	156.41	191.03	213.44	4.7
Acceptances, endorsements & other obligations	17.39	43.25	65.14	74.12	106.87	138.36	3.0
Currency swaps	20.41	29.01	44.49	112.96	172.42	230.78	5.0
Interest rate swaps and currency options[1]	78.54	413.54	1,177.64	1,519.22	2,471.92	2,859.58	62.2
Other items for which bank is contingently liable	19.21	29.14	38.56	76.35	59.84	93.11	2.0
Total	**Rs.394.47**	**Rs.894.37**	**Rs.2,029.42**	**Rs.2,681.54**	**Rs.3,950.35**	**Rs.4,653.58**	**US$101.3**

(1) Represents notional principal amount.

Contingent liabilities increased by 49.6% or Rs. 1,543.73 billion (US$ 33.6 billion) to Rs. 4,653.58 billion (US$ 101.3 billion) at September 30, 2006 from Rs. 3,109.85 billion (US$ 67.7 billion) at September 30, 2005 primarily due to a 54.2% increase in interest rate swaps and currency options. Contingent liabilities increased by 47.3% to Rs. 3,950.34 billion (US$ 86.0 billion) at year-end fiscal 2006 from Rs. 2,681.54 billion (US$ 58.4 billion) at year-end fiscal 2005 primarily due to a 62.7% increase in interest rate swaps and currency options. The credit exposure on currency derivatives as on March 31, 2006 amounts to Rs. 21.46 billion (US$ 467 million) and on interest rate derivatives amounts to Rs. 28.17 billion (US$ 613 million), and as on September 30, 2006 amounts to Rs 30.58 billion (US$ 666 million) for currency derivatives and to Rs. 27.56 billion (US$ 600 million) for interest rate derivatives.

Our contingent liabilities have been steadily increasing over the period from fiscal 2002. This increase is primarily due to the increase in foreign exchange and derivative transactions. The swap and forward exchange contract market in India is a developing market. Market volumes have increased significantly in recent years. As an active player and market-maker in swap and forward exchange contract markets and due to the fact that reduction in positions is generally achieved by entering into offsetting transactions rather than termination/ cancellation of existing transactions, we have seen substantial increase in notional principal of our swap portfolio in recent years.

An interest rate swap does not entail exchange of notional principal and the cash flow arises on account of the difference between interest rate pay and receive legs of the swaps which is generally much smaller than the notional principal of the swap. A large proportion of interest rate swap, currency swap and forward exchange contracts is on account of market making which involves providing regular two-way prices to customers or inter-bank counter parties. The exposure due to these transactions is normally reduced by entering into an off-setting transaction with another counter-party. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio. For example, if a transaction entered into with a customer is covered by an exactly opposite transaction entered into with another counter-party, the net market risk of the two transactions will be zero whereas, the notional principal of the portfolio will be sum of both the transactions.

Claims against the Bank not acknowledged as debts represent demands made by the government of India's tax authorities in excess of the provisions made in our accounts, in respect of income tax, interest tax, wealth tax and sales tax related matters.

Capital Resources

	At March 31		At September 30		
	2005	2006	2005	2006	2006
	(Rupees in millions, except percentages)				(US$ in millions)
Tier I	Rs. 102,463.2	Rs. 191,815.3	Rs. 108,317.5	Rs. 219,203.3	US$ 4,770
Tier II	56,566.1	86,610.9	64,120.2	115,824.9	2,521
Total Capital	159,029.3	278,426.2	172,437.7	335,028.2	7,291
On-balance sheet risk weighted assets	1,080,527.9	1,557,235.6	1,251,430.7	1,721,165.1	37,457
Off-balance sheet risk weighted	269,640.2	528,700.3	244,985.5	615,833.1	13,402
Total risk weighted assets	Rs.1,350,168.1	Rs.2,085,935.9	Rs.1,496,416.2	Rs.2,336,998.2	US$50,859
Tier I capital adequacy ratio	7.59%	9.20%	7.24%	9.38%	
Tier II capital adequacy ratio	4.19%	4.15%	4.28%	4.96%	
Total capital adequacy ratio	11.78%	13.35%	11.52%	14.34%	

Our total capital adequacy at September 30, 2006 was 14.34%, including Tier-I capital adequacy of 9.38% and Tier-II capital adequacy of 4.96%. In accordance with the Reserve Bank of India guidelines, the risk-weighted assets at September 30, 2006 include home loans to individuals at a risk weightage of 75%, other consumer loans and capital market exposure at a risk weightage of 125%. Commercial real estate exposure and investments in venture capital funds have been considered at a risk weightage of 150%. The risk-weighted assets at March 31, 2006 and September 30, 2006 also include the impact of capital requirement for market risk on the held for trading and available for sale portfolio.

Reserve Bank of India issued guidelines in October, 2005 permitting banks that have maintained capital of at least 9.0% of the risk-weighted assets for credit risk and market risk for held for trading and available for sale categories of investments at September 30, 2006, to transfer the balance in the investment fluctuation reserve 'below the line' in the profit and loss appropriation account to statutory reserve, general reserve or balance of profit & loss account. Pursuant to the above, the entire balance in investment fluctuation reserve at year-end fiscal, 2006, of Rs. 13.20 billion (US$ 287 million) was transferred to revenue and other reserves and hence considered in the Tier-I capital.

For all securitization deals executed subsequent to February 1, 2006, capital requirement has been considered in accordance with the Reserve Bank of India guidelines issued in this regard on February 1, 2006. Deferred tax asset of Rs. 2.29 billion (US$ 49.8 million) and unamortized expense of Rs. 0.69 billion (US$ 15.0 million) on account of the early retirement option in 2003 has also been reduced from Tier-I capital. In accordance with Reserve Bank of India guidelines, Tier-I capital includes Rs. 1.45 billion out of the face value of Rs. 3.50 billion of 20 year non-cumulative preference shares issued to ITC Limited as a part of the scheme for merger of ITC Classic Finance Limited with ICICI. In January 2006, the Reserve Bank of India issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital, The Reserve Bank of India also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital.

In February 2005, the Reserve Bank of India issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These draft guidelines, which are proposed to be effective from April 1, 2006, specify that all banks in India will adopt the standardized approach for credit risk and the basic indicator approach for operational risk. These guidelines will be effective from March 31, 2008. After adequate expertise has been developed, both at the banks and at the supervisory levels, some banks may be allowed to migrate to the internal ratings based approach after obtaining the approval of the Reserve Bank of India. The guidelines also prescribe a 75.0% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15.0% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 1.13 billion (US$ 25 million) at September 30, 2006 as compared to Rs. 1.64 billion (US$ 36 million) at September 30, 2005.

Guarantees

As a part of our project financing and commercial banking activities, we have issued guarantees to enhance the credit standing of our customers. These generally represent irrevocable assurances that we will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years. The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. We have collateral available to reimburse potential losses on the guarantees. Margins available to reimburse losses realized under guarantees amounted to Rs. 25.08 billion (US$ 546 million) at September 30, 2006, Rs. 7.32 billion (US$ 159 million) at September 30, 2005, Rs. 10.29 billion (US$ 224 million) at year-end fiscal 2006 and Rs. 4.06 billion (US$ 88 million) at year-end fiscal 2005. Other property or security may also be available to us to cover losses under guarantees.

	At September 30,		
	2005	2006	2006
	(Rupees in billions, except percentages)		(US$ in billions)
Financial guarantees	Rs. 54.73	Rs. 68.77	US$1.5
Performance guarantees	114.34	144.67	3.2
Total guarantees	**Rs.169.07**	**Rs.213.44**	**US$4.7**

	At March 31,		
	2005	2006	2006
	(Rupees in billions, except percentages)		(US$ in billions)
Financial guarantees	Rs. 58.00	Rs. 61.65	US$1.3
Performance guarantees	98.41	129.38	2.8
Total guarantees	**Rs.156.41**	**Rs.191.03**	**US$4.1**

Significant changes in accounting policies

There has been no significant change in our accounting policies in the last years except the following:

- During fiscal 2003, we changed our method of accounting for repurchase transactions and reverse repurchase transactions. These transactions have been accounted for as a sale and forward purchase or purchase and a forward sale transactions in fiscal 2003.
- Effective April 1, 2004, we account for unrealized gains on rupee derivatives (net of provisions) as compared to our earlier policy of ignoring such unrealized gains.
- Effective April 1, 2005, we have aligned our accounting policy for subvention income with our accounting policy for direct marketing agency/associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan.

We follow guidelines on accounting issued by the Reserve Bank of India from time to time.

Capital Expenditure

The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets.

	Cost at April 1, 2006	Additions	Deletion	Accumulated depreciation	Net assets at September 30, 2006	
		(Rupees in billions)				(US$ in millions)
Premises	Rs.20.20	Rs.0.47	Rs.0.10	Rs. 2.34	Rs.18.23	US$397
Other fixed assets	20.53	2.05	0.31	11.80	10.47	228
Assets on lease	18.95	0.00	0.75	7.67	10.53	229
Total	**Rs.59.68**	**Rs.2.52**	**Rs.1.16**	**Rs.21.81**	**Rs.39.23**	**US$854**

	Cost at April 1, 2005	Additions	Deletion	Accumulated depreciation	Net assets at March 31, 2006	
		(Rupees in billions)			(US$ in millions)	
Premises	Rs.18.83	Rs.1.45	Rs.0.08	Rs. 2.03	Rs.18.17	US$395
Other fixed assets	16.30	4.36	0.13	10.63	9.90	215
Assets on lease	20.12	0.00	1.17	7.22	11.74	255
Total	**Rs.55.25**	**Rs.5.81**	**Rs.1.38**	**Rs.19.88**	**Rs.39.81**	**US$865**

	Cost at April 1, 2004	Additions	Deletion	Accumulated depreciation	Net assets at March 31, 2005	
		(Rupees in billions)			(US$ in millions)	
Premises	Rs.16.67	Rs.2.25	Rs.0.09	Rs. 1.52	Rs.17.31	US$377
Other fixed assets	13.59	2.83	0.11	7.77	8.54	186
Assets on lease	20.65	—	0.53	5.59	14.53	316
Total	**Rs.50.91**	**Rs.5.08**	**Rs.0.73**	**Rs.14.88**	**Rs.40.38**	**US$879**

	Cost at April 1, 2003	Additions	Deletion	Accumulated depreciation	Net assets at March 31, 2004	
		(Rupees in billions)			(US$ in millions)	
Premises	Rs.16.06	Rs.0.94	Rs.0.33	Rs. 1.02	Rs.15.65	US$341
Other fixed assets	10.61	3.12	0.15	5.30	8.28	180
Assets on lease	21.46	0.77	1.59	4.01	16.63	362
Total	**Rs.48.13**	**Rs.4.83**	**Rs.2.07**	**Rs.10.33**	**Rs.40.56**	**US$883**

Capital expenditure for the six months ended September 30, 2006 includes net additions of Rs. 0.47 billion (US$ 10 million) in premises and Rs. 2.05 billion (US$ 45 million) in other fixed assets. Our capital expenditure on property and other assets was Rs. 5.81 billion (US$ 126 million) for fiscal 2006 compared to Rs. 5.08 billion (US$ 110 million) for fiscal 2005. Our capital expenditure on property and other assets increased by 25.1% to Rs. 5.08 billion (US$ 110 million) for fiscal 2005 compared to fiscal 2004.

Segmental Information

Our operations are classified into the following segments: consumer and commercial banking segment and investment banking segment. Segment data for previous periods has been reclassified on a comparable basis. The consumer and commercial banking segment provides medium-term and long-term project and infrastructure financing, securitization, factoring, lease financing, working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail customers. The investment banking segment includes treasury operations.

Six months ended September 30, 2006 compared to the six months ended September 30, 2005

Consumer & Commercial Banking Segment

Profit before tax of the consumer and commercial banking segment was Rs. 12.08 billion (US$ 263 million) in the six months ended September 30, 2006 as compared to Rs. 12.23 billion (US$ 266 million) in the six months ended September 30, 2005 primarily due to an increase in the provision and contingencies to Rs. 6.76 billion (US$ 147 million) in the six months ended September 30, 2006 as compared to Rs. 2.06 billion (US$ 45 million) in the six months ended September 30, 2005, offset, in part by increase in net interest income by 24.1% to Rs. 23.87 billion (US$ 519 million) in the six months ended September 30, 2006 from Rs. 19.24 billion (US$ 419 million) in the six months ended September 30, 2005.

Net interest income, increased by 24.1% to Rs. 23.87 billion (US$ 519 million) in the six months ended September 30, 2006 from Rs. 19.24 billion (US$ 419 million) in the six months ended September 30, 2005, primarily due to an increase in the interest income on advances and investments, offset, in part, by an increase in the interest expense on deposits.

We use marketing agents, called direct marketing agents or associates, for sourcing our automobile loans. Until the year ended March 31, 2006, we deducted commission paid to direct marketing agents of automobile loans from the interest income. For the period ended September 30, 2006, we reported all direct marketing agency expenses, on automobile loans and other retail loans, separately under "Non-interest expense". These commissions are expensed upfront and not amortised over the life of the loan. The necessary reclassifications have been made in the income statement for the period ended September 30, 2005.

Non-interest income increased by 49.7% to Rs. 23.28 billion (US$ 507 million) in the six months ended September 30, 2006 from Rs. 15.55 billion (US$ 338 million) in the six months ended September 30, 2005 primarily due to growth in commission exchange and brokerage income. Commission exchange and brokerage income increased primarily due to growth in income from retail products and services, including fees arising from retail assets products such as home loans and credit cards and retail liability related income such as account servicing charges and third party distribution fees. Fees from international business also witnessed a strong growth.

Non-interest expense increased by 38.1% to Rs. 28.31 billion (US$ 616 million) in the six months ended September 30, 2006 from Rs. 20.50 billion (US$ 446 million) in the six months ended September 30, 2005, primarily due to an increase in employee expenses enhanced operations and the growth in the retail franchise, including maintenance of ATMs, credit card expenses, call center expenses and technology expenses. Employee expenses increased primarily due to an increase in the number of employees, the annual increase in the salaries and to higher costs due to monetization of benefits on loan facilities available to employees at concessional rates of interests and other employee benefits. The increase in employees was commensurate with the growth in our retail businesses.

Provisions and contingencies (excluding provisions for tax) in the six months ended September 30, 2006 increased to Rs. 6.76 billion (US$ 147 million) compared to Rs. 2.06 billion (US$ 45 million) in the six months ended September 30, 2005 primarily due to higher provisions created on standard assets, in accordance with the revised guidelines issued by the Reserve Bank of India, higher provision on non performing assets and to a lower level of write-backs.

Under the Reserve Bank of India's guidelines issued in September 2005, banks were required to make general provisions of 0.4% on standard loans (excluding loans to the agricultural sector and to small and medium enterprises). Under the Reserve Bank of India's guidelines issued in May 2006, the general provisioning requirement for personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2 million and commercial real estate loans was further increased to 1.0% from the 0.4%. The Reserve Bank of India has allowed banks to create the above additional provisions of 0.6% in a phased manner in fiscal 2007.

In accordance with the above guidelines, the standard asset provision in the six months ended September 30, 2006 was Rs. 1.3 billion (US$ 28 million) as compared to Rs. 0.4 billion (US$ 9 million) in the six months ended September 30, 2005.

Investment Banking Segment

Profit before tax of the investment banking segment was Rs. 4.63 billion (US$ 101 million) in the six months ended September 30, 2006 compared to Rs. 2.10 billion (US$ 46 million) in the six months ended September 30, 2005 primarily due to an increase in net interest income to Rs. 6.66 billion (US$ 145 million) in the six months ended September 30, 2006 as compared to Rs. 1.15 billion (US$ 25 million) in the six months ended September 30, 2005.

Net interest income increased to Rs. 6.66 billion (US$ 145 million) in the six months ended September 30, 2006 as compared to Rs. 1.15 billion (US$ 25 million) in the six months ended September 30, 2005 primarily due to an increase in interest earned on investments to Rs. 25.47 billion (US$ 554 million) in the six months ended September 30, 2006 compared to Rs. 15.15 billion (US$ 330 million) in the six months ended September 30, 2005, and an increase in interest on inter bank deposits and other interest, offset in part by an increase in interest on inter-bank borrowings.

Non-interest income declined to Rs. 5.20 billion (US$ 113 million) in the six months ended September 30, 2006 from Rs. 6.47 billion (US$ 141 million) in the six months ended September 30, 2005 primarily due to lower capital gains due to the sharp decline in the equity markets in May 2006 and adverse conditions in the debt markets.

Non-interest expense increased by 31.2% to Rs. 2.06 billion (US$ 45 million) in the six months ended September 30, 2006 from Rs. 1.57 billion (US$ 34 million) in the six months ended September 30, 2005 primarily due to an increase in employee expenses and other administrative expenses.

Provisions increased to Rs. 5.16 billion (US$ 112 million) in the six months ended September 30, 2006 compared to Rs. 3.96 billion (US$ 86 million) in the six months ended September 30, 2005. The increase in provisions reflects the increase in the amount of amortisation of premium on government securities classified in the held to maturity category.

The amortization of premium on government securities in the six months ended September 30, 2006 was Rs. 5.09 billion (US$ 111 million) as compared to Rs. 3.39 billion (US$ 74 million) in the six months ended September 30, 2005 primarily reflecting an increase of 44.0% in investments in government securities.

Fiscal 2006 compared to Fiscal 2005

Consumer & Commercial Banking Segment

Profit before tax of the consumer and commercial banking segment increased to Rs. 26.55 billion (US$ 578 million) in fiscal 2006 from Rs. 18.95 billion (US$ 412 million) in fiscal 2005 primarily due to an increase of 50.3% in net interest income.

Net interest income, increased by 50.3% to Rs. 42.73 billion (US$ 930 million) in fiscal 2006 from Rs. 28.43 billion (US$ 619 million) in fiscal 2005, primarily due to an increase in the interest income on advances and investments and a reduction in the interest expense on borrowings, offset, in part, by an increase in the interest expense on deposits.

Non-interest income increased by 46.7% to Rs. 37.17 billion (US$ 809 million) in fiscal 2006 from Rs. 25.34 billion (US$ 551 million) in fiscal 2005 primarily due to growth in commission and brokerage income. Commission and brokerage income increased mainly due to growth in credit card related fees and third-party product distribution fees, increase in income from remittances and other fees from international products and services and growth in fees from corporate customers.

Non-interest expense increased by 35.3% to Rs. 46.03 billion (US$ 1,002 million) in fiscal 2006 from Rs. 34.01 billion (US$ 740 million) in fiscal 2005, primarily due to an increase in employee expenses and enhanced operations and the growth in the retail franchise, including maintenance of ATMs, credit card expenses, call centre expenses and technology expenses.

Provisions for contingencies (excluding provisions for tax) in fiscal 2006 was Rs. 7.32 billion (US$ 159 million) compared to Rs. 0.81 billion (US$ 18 million) in fiscal 2005 primarily due to increased provisions on standard assets as per Reserve Bank of India guidelines in fiscal 2006 and a higher level of write-backs in fiscal 2005.

Investment Banking Segment

Profit before tax of investment banking segment was Rs. 4.80 billion (US$ 104 million) in fiscal 2006 as compared to Rs. 6.71 billion (US$ 146 million) in fiscal 2005 primarily due to an increase of 19.2% in net interest income.

Net interest income increased by 19.2% to Rs. 4.35 billion (US$ 95 million) in fiscal 2006 compared to Rs. 3.65 billion (US$ 79 million) in fiscal 2005 mainly due to an 80.4% rise in interest income from government securities, offset in part by an increase in interest on inter-bank borrowings.

Non-interest income increased by 43.5% to Rs. 12.66 billion (US$ 275 million) in fiscal 2006 from Rs. 8.82 billion (US$ 192 million) in fiscal 2005 primarily due to higher capital gains realized on the sale of equity investments.

Non-interest expense increased by 57.2% to Rs. 3.60 billion (US$ 78 million) in fiscal 2006 from Rs. 2.29 billion (US$ 50 million) in fiscal 2005 primarily due to an increase in employee expenses and other administrative expenses.

Provisions increased to Rs. 8.62 billion (US$ 188 million) in fiscal 2006 compared to Rs. 3.47 billion (US$ 75 million) in fiscal 2005. The sharp increase in provisions reflects the increase in the amount of amortization of premium on government securities.

Consolidated Financials As Per Indian GAAP

The consolidated profit after tax for the six months ended September 30, 2006 was Rs. 13.19 billion (US$ 287 million) and for fiscal 2006 was Rs. 24.20 billion (US$ 527 million) including the results of operations of our subsidiaries and other consolidating entities. Future bonus provisions and non-amortization of expenses by ICICI Prudential Life Insurance Company in line with the insurance company accounting norms had a negative impact on the our consolidated profits. Life insurance companies worldwide require five to seven years to achieve break-even, in view of the business set-up and customer acquisition costs in the initial years as well as reserving for actuarial liability. The deficit in the initial years is usually higher for faster growing companies; the profit streams, after break-even is achieved, are expected to be correspondingly higher.

The following table sets forth, for the periods indicated, the profit/(loss) of the principal subsidiaries of ICICI Bank.

	Year ended March 31,		
	2005	2006	2006
	(in billions)		(US$ in millions)
ICICI Securities Limited and its subsidiaries	Rs. 0.64	Rs. 1.57	US$ 34
ICICI Prudential Life Insurance Company Limited	(2.12)	(1.88)	(41)
ICICI Lombard General Insurance Company Limited	0.48	0.50	11
ICICI Venture Funds Management Company Limited	0.32	0.50	11
ICICI Home Finance Company Limited	0.10	0.12	3
Prudential ICICI Asset Management Company Limited	0.17	0.31	7
ICICI Bank UK Limited	0.10	0.64	14
ICICI Bank Eurasia Limited Liability Company	—	0.01	—
ICICI Bank Canada	Rs.(0.25)	Rs.(0.25)	US$ (5)

	Six months ended September 30,		
	2005	2006	2006
	(in billions)		(US$ in millions)
ICICI Securities Limited and its subsidiaries	Rs. 0.88	Rs. 0.60	US$ 13
ICICI Prudential Life Insurance Company Limited	(1.29)	(2.22)	(48)
ICICI Lombard General Insurance Company Limited	0.29	0.33	7
ICICI Venture Funds Management Company Limited	0.27	0.30	7
ICICI Home Finance Company Limited	0.09	0.23	5
Prudential ICICI Asset Management Company Limited	0.09	0.31	7
ICICI Bank UK Limited	0.20	0.78	17
ICICI Bank Eurasia Limited Liability Company	—	0.01	—
ICICI Bank Canada	Rs.(0.14)	Rs. 0.06	US$ 1

Critical Accounting Policies

In order to understand our financial condition and the results of operations, it is important to understand our significant accounting policies and the extent to which we use judgments and estimates in applying those policies. Our accounting and reporting policies are in accordance with Indian GAAP and confirm to standard accounting practices relevant to our products and services and businesses in which we operate. Indian GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. Accordingly, we use a significant amount of judgment and estimates based on assumptions for which the actual results are uncertain when we make the estimation.

We have identified three critical accounting policies, based on the judgments and estimates required in the application of these policies. These include accounting for investments, provisions/write offs on loans and other credit facilities and transfer and servicing of assets.

Accounting for Investments

We account for investments in accordance with the guidelines on investment classification and valuation issued by the Reserve Bank of India. We classify all our investments into Held to Maturity, Available for Sale and 'Held for Trading. Under each classification, we further categorize investments in to (a) government securities (b) other approved securities (c) shares (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

'Held to Maturity' securities are carried at their acquisition cost or at amortized cost, if acquired at a premium over the face value. Any premium over the face value of the notes acquired is amortized over its remaining period to maturity on a constant effective yield basis. We also evaluate our investments for any other than temporary diminution in its value.

We compute the market value of our notes classified as Available for Sale and Held for Trading in accordance with the guidelines issued by the Reserve Bank of India. We amortize the premium, if any, over the face value of our investments in government securities classified as available for sale over the remaining period to maturity on a constant effective yield basis. We compute the market value our quoted investments based on the trades/quotes on the recognized stock exchanges, SGL account transactions, price list of Reserve Bank of India or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

We compute the market value our unquoted government securities included in the Available for Sale and Held for Trading categories as per the rates published by FIMMDA.

We compute the market value of non-government securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, with a mark-up (reflecting associated credit risk) over the yield to maturity rates for government securities published by FIMMDA.

We compute the market value of our unquoted equity shares at the book value, if the latest balance sheet is available or at Re. 1.

We compute the market value of our notes scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each category, if any, being unrealized, is ignored, while net depreciation is provided for.

Provisions/write-offs on loans and other credit facilities

We classify our loans into standard, substandard, and doubtful assets based on the number of days an account is overdue. We create provisions on our secured and unsecured corporate loans classified as sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Subject to the minimum provisioning levels prescribed by the Reserve Bank of India, provision on homogeneous loans relating to retails assets is assessed on a portfolio level, on the basis of days past due.

We create provisions for our restructured/rescheduled loans based on the present value of the interest sacrifice provided at the time of restructuring.

We upgrade a restructured non performing loan to a standard account only after the specified period i.e., a period of one year after the date on which the first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance of the account during the period. We upgrade all other non-performing loans to a standard account if arrears of interest and principal are fully paid by the borrower.

We also create general provisions on our standard loans based on the guidelines issued by the Reserve Bank of India.

Additionally we also create provisions on individual country exposures (other than for home country exposures). The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning is made on the exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the provision requirement is held. We do not create provisions if the country exposure (net) in respect of each country does not exceed 1% of our total funded assets.

Transfer and servicing of assets

We transfer commercial and consumer loans through securitization transactions. The transferred loans are de-recognized and gains/losses, net of provisions, are accounted for only if we surrender the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. We measure the retained beneficial interests in the loans by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization.

Effective February 1, 2006, we account for any loss arising on sale immediately at the time of sale and the profit/premium arising on account of sale is amortized over the life of the notes issued or to be issued by the entity (special purpose vehicle) to which the assets are sold.

BUSINESS

Overview

We offer a wide range of banking products and services to corporate and retail customers through a variety of delivery channels. In the six months ended September 30, 2006, we made a net profit of Rs. 13.75 billion (US$ 300 million) compared to a net profit of Rs. 11.10 billion (US$ 242 million) in the six months ended September 30, 2005. In fiscal 2006, we made a net profit of Rs. 25.40 billion (US$ 553 million) compared to a net profit of Rs. 20.05 billion (US$ 436 million) in fiscal 2005. At September 30, 2006, we had assets of Rs. 2,823.73 billion (US$ 61.5 billion) and a net worth of Rs. 234.81 billion (US$ 5.1 billion). At year-end fiscal 2006, ICICI Bank was the second-largest bank in India and the largest bank in the private sector in terms of total assets.

Our commercial banking operations for retail customers consist of retail lending and deposits, private banking, distribution of third party investment products and other fee-based products and services, as well as issuance of unsecured redeemable bonds. We provide a range of commercial banking and project finance products and services to India's leading corporations, growth-oriented middle market companies and small and medium enterprises, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We also offer agricultural and rural banking products. We offer investment banking services through our subsidiary, ICICI Securities, including corporate advisory services, primary dealership in government securities and equity underwriting and brokerage. In addition, we provide venture capital funding to start-up companies and private equity to a range of companies through our venture capital and private equity fund management subsidiary ICICI Venture Funds Management Company. We provide a wide range of life and general insurance and asset management products and services, respectively, through our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and Prudential ICICI Asset Management Company. ICICI Prudential Life Insurance had a retail market share of about 30% in new business written (on weighted received premium basis) by private sector life insurance companies and about 9% in new business written (on weighted received premium basis) by all life insurance companies in India, during April-September 2006. ICICI Lombard General Insurance had a market share of over 35% among the private sector general insurance companies and about 12% among all general insurance companies in India, during April-September 2006. Prudential ICICI Asset Management Company was the second largest player in terms of total funds under management in the Indian mutual fund industry at September 30, 2006 with a market share of over 10%. We cross-sell the products of our insurance and asset management subsidiaries to our corporate and retail customers.

We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers in North America, the United Kingdom, Russia, the Middle East and South East Asia. We currently have banking subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand and Indonesia. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium. We have received approval to establish a representative office in Kenya.

We deliver our products and services through a variety of channels, ranging from bank branches and ATMs to call centers and the Internet. At September 30, 2006, we had a network of 584 branches, 48 extension counters and 2,336 ATMS in 355 locations across several Indian states.

Our legal name is ICICI Bank Limited but we are known commercially as ICICI Bank. We were incorporated on January 5, 1994 under the laws of India as a limited liability corporation. The duration of ICICI Bank is unlimited. Our principal corporate office is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, India, our telephone number is +91 22 2653 1414 and our web site address is www.icicibank.com. Our agent for service of process in the United States is Mr. G.V.S. Ramesh, Joint General Manager, ICICI Bank Limited, New York Representative Office, 500 Fifth Avenue, Suite 2830, New York, New York 10110.

History

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and Indian industry representatives. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. Until the late 1980s, ICICI primarily focused its activities on project finance, providing long-term funds to a variety of industrial projects. With the liberalization of the financial sector in India in the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services provider that, along with its subsidiaries and other group companies, offered a wide variety of products and services. As India's economy became more market-oriented and integrated with the world economy, ICICI capitalized on the new opportunities to provide a wider range of financial products and services to a broader spectrum of clients.

ICICI Bank was incorporated in 1994 as a part of the ICICI group. ICICI Bank's initial equity capital was contributed 75.0% by ICICI and 25.0% by SCICI Limited, a diversified finance and shipping finance lender of which ICICI owned 19.9% at December 1996. Pursuant to the merger of SCICI into ICICI, ICICI Bank became a wholly-owned subsidiary of ICICI. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank, in an all-stock merger.

The issue of universal banking, which in the Indian context means conversion of long-term lending institutions such as ICICI into commercial banks, had been discussed at length over the past few years. Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for earning non-fund based income in the form of banking fees and commissions. ICICI Bank also considered various strategic alternatives in the context of the emerging competitive scenario in the Indian banking industry. ICICI Bank identified a large capital base and size and scale of operations as key success factors in the Indian banking industry. In view of the benefits of transformation into a bank and the Reserve Bank of India's pronouncements on universal banking, ICICI and ICICI Bank decided to merge.

At the time of the merger, both ICICI Bank and ICICI were publicly listed in India and on the New York Stock Exchange. The amalgamation was approved by each of the boards of directors of ICICI, ICICI Personal Financial Services, ICICI Capital Services and ICICI Bank at their respective board meetings held on October 25, 2001. The amalgamation was approved by ICICI Bank's and ICICI's shareholders at their extraordinary general meetings held on January 25, 2002 and January 30, 2002, respectively. The amalgamation was sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002. The amalgamation was approved by the Reserve Bank of India on April 26, 2002. The amalgamation became effective on May 3, 2002. The date of the amalgamation for accounting purposes under Indian GAAP was March 30, 2002 and under US GAAP was April 1, 2002.

Shareholding Structure and Relationship with the Government of India

The following table sets forth, at December 8, 2006, certain information regarding the ownership of our equity shares.

	Percentage of total equity shares outstanding	Number of equity shares held
Government-controlled shareholders:		
Life Insurance Corporation of India	7.9	70,562,321
General Insurance Corporation of India and government-owned general insurance companies	4.0	36,230,526
Unit Trust of India	0.3	2,627,279
Other government-controlled institutions, corporations and banks	0.3	2,249,832
Total government-controlled shareholders	12.5	111,669,958
Other Indian investors:		
Individual domestic investors(1)(2)	5.9	52,567,099
Bajaj Auto Limited	4.3	38,612,181
Indian corporates and others (excluding Bajaj Auto Limited)	0.8	6,863,955
Mutual funds and banks (other than government-controlled banks)	4.6	41,076,878
Total other Indian investors	15.6	139,120,113
Total Indian investors	28.1	250,790,071
Foreign investors:		
Deutsche Bank Trust Company Americas, as depositary	26.7	238,530,478
Allamanda Investments Pte. Limited	7.4	66,234,627
CLSA Merchant Bankers Limited A/C CLSA (Mauritius) Limited	4.9	44,072,875
Crown Capital Limited	2.4	22,074,413
Government of Singapore	2.3	20,497,936
Foreign institutional investors, foreign banks, overseas corporate bodies and non-resident Indians (excluding Allamanda Investments Pte. Limited, CLSA Merchant Bankers Limited, Crown Capital Limited and Government of Singapore)(1)(2)	28.2	251,730,702
Total foreign investors	71.9	643,141,031
Total	**100.0**	**893,931,102**

(1) Executive officers and directors as a group held around 0.5% of the equity shares as of this date.
(2) No single shareholder in this group owned 5.0% or more of ICICI Bank's equity shares as of this date.

In April 2004, we issued 115,920,758 equity shares to foreign and domestic institutional investors and domestic retail investors at a price of Rs. 280 (US$ 6) per share, totaling Rs. 32.46 billion (US$ 706 million). In March 2005, we sponsored an offering of ADSs by our shareholders, resulting in the issuance of 20,685,750 ADSs representing 41,371,500 equity shares sold by our equity shareholders, at a price of US$ 21.11 per ADS, aggregating approximately US$ 437 million. The proceeds of the offering, net of expenses, were distributed to the selling shareholders. In fiscal 2006, we concluded a capital raising exercise issuing 148,204,556 equity shares, raising a total of Rs. 80.01 billion (US$ 1.7 billion) through the first simultaneous public issue in India and ADS issue in the United States, with a Public Offering Without Listing of ADSs in Japan. The issue was priced at Rs. 498.75 (US$ 11) per share for retail investors in India, Rs. 525 (US$ 11) per share for other investors in the Indian offering and US$ 26.75 per ADS.

The holding of government-controlled shareholders was 12.5% at December 8, 2006 against 12.7% at September 30, 2006 and 15.0% at September 30, 2005. The holding of Life Insurance Corporation of India was 7.9% at December 8, 2006 against 8.0% at September 30, 2006 and 9.4% at September 30, 2005.

We operate as an autonomous and commercial enterprise, making decisions and pursuing strategies that are designed to maximize shareholder value, and the Indian government has never directly held any of our shares. There is no shareholders' agreement or voting trust relating to the ownership of the shares held by the government-controlled shareholders. We do not have any agreement with our government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. The Government of India has guaranteed certain of our domestic and multilateral borrowings. Under the terms of these loan and guarantee facilities provided by the Government of India to us, the Government of India is entitled to appoint and has appointed one representative to our board. We invite a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, Life Insurance Corporation of India and General Insurance Corporation of India, onto our board. Mr. T. S. Vijayan, Chairman of Life Insurance Corporation of India was appointed as a director effective April 30, 2005. Mr. R. K. Joshi, Chairman-cum-Managing Director of General Insurance Corporation of India was appointed as a director effective October 13, 2005. See "Management—Directors and Executive Officers" for a discussion of the composition of our board of directors.

The holding of other Indian investors was 15.6% at December 8, 2006 against 14.3% at September 30, 2006 and 11.8% at September 30, 2005. The total holding of Indian investors was 28.1% at December 8, 2006 against 26.9% at September 30, 2006 and 26.8% at September 30, 2005. The holding of foreign investors was 71.9% at December 8, 2006 against 73.1% at September 30, 2006 and 73.2% at September 30, 2005. See "Supervision and Regulation—Reserve Bank of India Regulations—Ownership Restrictions".

Deutsche Bank Trust Company Americas holds the equity shares represented by 119.30 million ADSs outstanding as depositary on behalf of the holders of the ADSs. The ADSs are listed on the New York Stock Exchange. Under the Indian Banking Regulation Act, no person holding shares in a banking company can exercise more than 10.0% of the total voting power. This means that Deutsche Bank Trust Company Americas (as depositary), which held of record approximately 26.7% of our equity shares as of December 8, 2006 against 26.7%% as of September 30, 2006 and 27.2% at September 30, 2005, could only vote 10.0% of our equity shares, in accordance with the directions of our board of directors. See "Overview of the Indian Financial Sector—Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act". Except as stated above, no shareholder has differential voting rights.

Strategy

Our objective is to enhance our position as a premier provider of banking and other financial services in India and to leverage our competencies in financial services and technology to develop an international business franchise.

The key elements of our business strategy are to:

- focus on quality growth opportunities by:
  - maintaining and enhancing our strong retail and corporate franchise;
  - building an international presence;
  - strengthening our insurance and asset management businesses; and
  - building a rural banking franchise.
- emphasize conservative risk management practices and enhance asset quality;
- use technology for competitive advantage; and
- attract and retain talented professionals.

Overview of ICICI Bank's Products and Services

We offer products and services in the areas of commercial banking, investment banking and insurance.

Commercial Banking for Retail Customers

We believe that the Indian retail financial services market is likely to continue to experience sustained growth in the future. With upward migration of household income levels, affordability and availability of retail finance and acceptance of use of credit to finance purchases, retail credit has emerged as a rapidly growing opportunity for banks that have the necessary skills and infrastructure to succeed in this business. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit. The key dimensions of our retail strategy are innovative products, parity pricing, customer convenience, wide distribution, strong processes, prudent risk management and customer focus. Cross-selling of the entire range of credit and investment products and banking services to our customers is a critical aspect of our retail strategy.

Our commercial banking operations for retail customers consist of retail lending and deposits, credit cards, depositary share accounts, distribution of third-party investment and insurance products, other fee-based products and services and issuance of unsecured redeemable bonds.

Retail Lending Activities

We offer a range of retail asset products, including home loans, automobile loans, commercial vehicle loans, two wheeler loans, personal loans, credit cards, loans against time deposits and loans against shares. We also fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit, with an outstanding gross retail finance portfolio of Rs. 1,087.19 billion (US$ 23.7 billion) at September 30, 2006. Our retail asset products are generally fixed rate products repayable in equated monthly installments other than our floating rate home loan portfolio, where any change in the benchmark rate to which the rate of interest on the loan is referenced is passed on to the borrower on the first day of the succeeding quarter or succeeding month, as applicable. In general, any increase in the rate of interest payable on floating rate home loans is effected by an elongation of the repayment schedule and/or by changing the monthly installment amount. We have during the period September 30, 2005 to September 30, 2006, based on the age of the borrower and the extended tenor of the loan, effected a part of the increase by an increase in the monthly installment amount. See also "Risk Factors—Risks Relating to Our Business—Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance."

Lending to small and medium enterprises

We are seeking to extend our reach to the small and medium enterprises sector through segmented offerings. We provide supply chain financing solutions to the channel partners of corporate clients and transaction banking services to small and medium enterprises. We also provide financing on a cluster-based approach, that is financing of small enterprises in specific sectors such as apparel manufacturers, auto ancillaries, pharmaceuticals and gems & jewellery. We have recently launched small business loans to meet the working capital needs of small businesses. The funding under this facility is unsecured and is restricted to a maximum of Rs. 2.5 million (US$ 54,407) per customer.

Retail Deposits

Our retail deposit products include time deposits and savings accounts. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen, and have corporate salary account products. Further, we offer an international debit card in association with VISA International. At September 30, 2006, we had a debit card base of over 8.9 million cards. We offer current account products to our small and medium enterprise customers.

For a description of the Reserve Bank of India's regulations applicable to deposits in India and required deposit insurance, see "Supervision and Regulation—Reserve Bank of Indian Regulations—Regulations Relating to Deposits" and "Supervision and Regulation—Deposit Insurance". For more information on the type, cost and maturity profile of our deposits, see "—Funding".

Bond Issues

We offer retail liability products in the form of a variety of unsecured redeemable bonds. The Reserve Bank of India has prescribed limits for issuance of bonds by banks. During the six months ended September 30, 2006, we did not issue any bonds to retail investors. While we expect that deposits will continue to be our primary source of funding, we may conduct bond issues in the future.

Other Fee-Based Products and Services

Through our distribution network, we offer government of India savings bonds, insurance policies from ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company and distribute public offerings of equity shares by Indian companies. We also offer a variety of mutual fund products from Prudential ICICI Asset Management Company and other select mutual funds. We also levy services charges on deposit accounts. We offer fee-based products and services including documentary credits and guarantees to small and medium enterprises.

As a depositary participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depositary share accounts to settle securities transactions in a dematerialized mode. Further, we are one of the banks designated by the Reserve Bank of India for issuing approvals to non-resident Indians and overseas corporate bodies to trade in shares and convertible debentures on the Indian stock exchanges.

ICICI Web Trade Limited, a company that was owned by a private equity fund managed by ICICI Venture Funds Management Company Limited and provides web and telephone-based brokering services has been amalgamated with ICICI Brokerage Services Limited, a subsidiary of ICICI Securities Limited providing brokerage services to institutional clients, effective October 1, 2006.

Commercial Banking for Corporate Customers

We provide a range of commercial banking products and services to India's leading corporations and growth-oriented middle market companies, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We serve our corporate clients through corporate relationship groups such as the Corporate Banking Group and the Government Banking Group, and product groups such as the Product and Technology Group and the Global Markets Group.

Corporate Loan Portfolio

Our corporate loan portfolio consists of project and corporate finance, working capital financing and agricultural financing. For further details on our loan portfolio, see "—Asset Composition and Classification—Loan Concentration". For a description of our credit rating and approval system, see "—Risk Management—Credit Risk—Credit Risk Assessment Procedures for Corporate Loans".

Our project finance business consists principally of extending medium-term and long-term rupee loans to the manufacturing sector.

Our working capital financing consists of cash credit facilities and bill discounting. For more details on our credit risk procedures, see "—Risk Management—Credit Risk".

Fee and Commission-Based Activities

We generate fee income from our syndication, securitization and project financing activities. We seek to leverage our project financing and structuring skills and our relationships with companies and financial institutions and banks to earn fee incomes from structuring and syndication. We also seek to leverage our international presence to earn fee income from structuring and financing of overseas acquisitions by Indian companies.

We offer our corporate customers a wide variety of fee and commission-based products and services including documentary credits and standby letters of credit (called guarantees in India).

We also offer cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the Government of India and the governments of Indian states. We also offer custodial services to clients. At September 30, 2006, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depositary banks for GDR investors) was Rs. 1,342.94 billion (US$ 29.2 billion). As a registered depositary participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositaries operating in India, we also provide electronic depositary facilities to investors.

Corporate Deposits

We offer a variety of deposit products to our corporate customers including current accounts, time deposits and certificates of deposits. For more information on the type, cost and maturity profile of our deposits, see "—Funding".

Customer Foreign Exchange

We provide customer specific products and services and risk hedging solutions in several currencies to meet the trade and service-related requirements of our corporate clients. The products and services offered include:

- spot foreign exchange for the conversion of foreign currencies without any value restrictions;
- foreign exchange and interest rate derivatives.

We earn commissions on these products and services from our corporate customers.

We provide forward contracts to our customers for hedging their short-term exchange rate risk on foreign currency denominated receivables and payables. We generally provide this facility for a term of up to six months and occasionally up to 12 months. We also offer interest rate and currency swaps to our customers for hedging their medium and long-term risks due to interest rate and currency exchange rate movements. We offer these swaps for a period ranging from three to 10 years. Our customers pay a commission for this product that is included in the price of the product and is dependent upon market conditions. We also hedge our own exchange rate risk related to our foreign currency-trading portfolio with products from banking counter parties. Our risk management products are currently limited to foreign currency forward transactions and currency and interest rate swaps for selected approved clients. We believe, however, that the demand for risk management products will grow, and we are building the capabilities to grow these products. We are focusing particularly on setting up sophisticated infrastructure and internal control procedures that are critical to these products.

Commercial Banking for Rural and Agricultural Customers

We believe that rural India offers a major growth opportunity for financial services and have identified this as a key focus area. The Reserve Bank of India's directed lending norms require us to lend 18.0% of our net bank credit on the residual portion of our advances (i.e., our total advances excluding the advances of ICICI at year-end fiscal 2002) to the agricultural sector. Recently the Reserve Bank of India has proposed to link priority sector lending targets and sub-targets for all banks to adjusted net bank credit (net bank credit plus investments made by banks in non statutory liquidity ratio bonds included in the held to maturity category) See also "Supervision and Regulation—Directed Lending". However, rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. Our rural banking strategy seeks to adopt a holistic approach to the financial needs of various segments of the rural population, by delivering a comprehensive product suite encompassing credit, transaction banking, deposit, investment and insurance. We provide corporate banking products and services to corporate clients engaged in agriculture-linked businesses. We are seeking to grow our rural individual and household lending portfolio by developing and scaling up credit products to various segments of the rural population, whether engaged in agriculture or other economic activity. Our rural credit products for individuals and households include loans to farmers for cultivation, post-harvest financing against warehouse receipts, loans for purchase of tractors, working capital for trading and small enterprises, loans against jewellery and micro-finance loans for various purposes. We are seeking to roll-out our rural strategy and reach out to rural customers through partnerships with micro-finance institutions and companies active in rural areas. Our rural delivery channels include branches, micro-finance institutions, third-party kiosks and franchisees. See also "—Competition".

For details of our directed lending portfolio, see "—Asset Composition and Classification—Loan Concentration—Directed Lending".

Commercial Banking for International Customers

We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers. Our strategy for growth in international markets is based on leveraging home country links and technology for international expansion by capturing market share in select international markets. We have identified North America, the United Kingdom, Russia, the Middle-East and South-East Asia as the key regions for establishing our international presence. The initial focus areas are supporting Indian companies in raising corporate and project finance for their investments abroad, trade finance, personal financial services for non-resident Indians and international alliances to support domestic businesses. We have over the last few years built a large network of correspondent relationships with international banks across all major countries. Most of these countries have significant trade and other relationships with India.

Many of the commercial banking products that we offer to international customers, such as trade finance and letters of credit, are similar to the products offered to our corporate customers in India. Some of the products and services that are unique to international customers are:

- Money2India: an Internet-based remittance tracking platform
- TradeWay: an Internet-based documentary collection product to provide correspondent banks access to real-time on line information on the status of their export bills collections routed through us.
- Remittance Tracker: an Internet-based application that allows a correspondent bank to query on the status of their payment instructions and also to get various information reports online.
- Offshore banking deposits: multi-currency deposit products in US dollar, pound sterling and euro.
- Foreign currency non-resident deposits: foreign currency deposits offered in four main currencies—US dollar, pound sterling, euro and yen.
- Non-resident external fixed deposits: deposits maintained in Indian rupees.
- Non-resident external savings account: savings accounts maintained in Indian rupees.
- Non-resident ordinary savings accounts and non-resident ordinary fixed deposits.

We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, DIFC, Sri Lanka, Hong Kong and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. We have recently set-up Representative offices in Thailand, Indonesia and Malaysia after receiving approval from the respective regulatory authorities. We have also received approval from the Central Bank of Kenya to open a representative office in Kenya, the operations of which shall commence shortly. The Reserve Bank of India has granted approval to open a representative office in Abu Dhabi and a branch in Qatar. Our subsidiaries in the United Kingdom, Canada and Russia offer local banking products and services in those countries. Our subsidiary in United Kingdom has also opened a branch in Antwerp, Belgium in May 2006. In Canada and the United Kingdom, we have also launched direct banking offerings using the Internet as the access channel.

We also access the international debt markets for funding the assets of our overseas branches. We issued US$ 400 million senior notes in October 2006. We also have an existing Medium Term Note Program and US$ Commercial Paper program which we use from time to time.

Delivery Channels

We deliver our products and services through a variety of channels, ranging from traditional bank branches to ATMs, call centers and the Internet. We also have direct marketing agents or associates, who deliver our retail credit products. These agents help us achieve deeper penetration by offering doorstep service to the customer.

At September 30, 2006 we had a network of 584 branches and 48 extension counters in 355 centers across several Indian states. Extension counters are small offices primarily within office buildings or on factory premises that provide commercial banking services. We propose to open 111 new branches and 450 offsite ATMs pursuant to authorization received from Reserve Bank of India in November 2006.

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our branches must be located in semi-urban and rural areas. The following table sets forth the number of branches broken down by area at September 30, 2006.

	At September 30, 2006	
	Number of branches	% of total
Metropolitan/urban	389	66.6%
Semi-urban/rural	195	33.4%
Total	584	100.0%

At September 30, 2006, we offered one or more retail credit products in about 1,200 centers.

At September 30, 2006, we had 2,336 ATMs, of which 717 were located at our branches and extension counters. Through our website www.icicibank.com, we offer our customers online access to account information and payment and fund transfer facilities. We provide Internet banking services to our corporate clients through ICICI e-business, a finance portal which is the single point web-based interface for all our corporate clients. We provide telephone banking services through our call center. At September 30, 2006, our call center had 4,238 service workstations in India. We offer mobile phone banking services to our customers using any cellular telephone service operator in India.

Treasury

Through our treasury operations, we seek to manage our balance sheet, including the maintenance of required regulatory reserves, and to optimize profits from our trading portfolio by taking advantage of market opportunities. Our trading and securities portfolio includes our regulatory reserve portfolio, as there is no restriction on active management of our regulatory reserve portfolio. Our treasury operations include a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services.

Under the Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain a minimum of 25.0% of our demand and time liabilities by way of approved securities, such as government of India securities and state government securities. Amendments to the Banking Regulation Act have been proposed in the Indian Parliament to remove the lower and upper bounds to the statutory liquidity ratio and to provide flexibility to the Reserve Bank of India to prescribe prudential norms. We maintain the statutory liquidity ratio through a portfolio of government of India securities that we actively manage to optimize the yield and benefit from price movements. Under the Reserve Bank of India's cash reserve ratio requirements, we are currently required to maintain a minimum of 5.0% of our net demand and time liabilities in a current account with the Reserve Bank of India. Effective June 22, 2006, the Reserve Bank of India pays no interest on these cash reserves. Prior to this date, the Reserve Bank of India used to pay no interest on cash reserves up to 3.0% of the net demand and time liabilities and used to pay interest at 3.5% on the remaining eligible balance. In December 2006, the Reserve Bank of India increased the cash reserve ratio by 50 basis points from 5.0% to 5.5%. The increase will be effective in two phases as follows:

the fortnight beginning December 23, 2006: 5.0% to 5.25%

the fortnight beginning January 6, 2007: 5.25% to 5.5%

For a further discussion of these regulatory reserves, see "Supervision and Regulation—Legal Reserve Requirements."

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of all our branches and at the same time avoid holding excessive cash. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. Further, we engage in domestic and foreign exchange operations from a centralized trading floor in Mumbai. As part of our treasury activities, we also maintain proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. Our treasury manages our foreign currency exposures and the foreign exchange and risk hedging derivative products offered to our customers and engages in proprietary trading of currencies. Our investment and market risk policies are approved by the Risk Committee and Asset Liability Management Committee of our board of directors.

Our investments portfolio is classified into three categories—held to maturity, available for sale and held for trading. Investments acquired with the intention to hold them up to maturity are classified as held to maturity. Investments acquired by us with the intention to trade by taking advantage of the short-term price/interest rate movements are classified as held for trading. The investments which do not fall in the above two categories are classified as available for sale. Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category. Under each category the investments are classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others. Investments classified under the held to maturity category are not marked to market and are carried at acquisition cost, unless it is more than the face value, in which case the premium is amortized over the period of such securities. The individual scrips in the available for sale category are marked to market. Investments under this category are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual scrips in the held for trading category are marked to market as in the case of those in the available for sale category.

Our treasury engages in domestic and foreign exchange operations from a centralized trading floor in Mumbai. As part of our treasury activities, we also maintain proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. Our board approves our treasury investment policy and asset liability management policy, which govern the management of market risk of our treasury portfolio.

The following table sets forth, for the periods indicated, the details of our investment portfolio.

	Year ended March 31,					Six months ended September 30,
	2002	2003	2004	2005	2006	2006
	(in billions)					
Government and other approved securities	Rs.227.93	Rs.255.83	Rs.299.18	Rs.344.82	Rs.510.74	Rs.607.14
Debentures and bonds	64.36	56.90	55.49	28.54	18.04	24.00
Shares	19.09	16.42	16.84	19.15	20.58	21.50
Others[(1)]	47.53	25.47	62.85	112.36	166.11	177.28
Total	**Rs.358.91**	**Rs.354.62**	**Rs.434.36**	**Rs.504.87**	**Rs.715.47**	**Rs.829.92**

(1) Others includes investments in subsidiaries and joint ventures, commercial paper, mutual fund units and investments outside India.

At September 30, 2006, 76.4% of our government securities portfolio was in the held to maturity category. We have a limited equity portfolio because the Reserve Bank of India restricts investments by a bank in equity securities to 5.0% of its total outstanding domestic loan portfolio as at March 31 of the previous year. A significant portion of ICICI's investments in equity securities was related to projects financed by it. The Reserve Bank of India has permitted us to exclude these investments for determining compliance with the restriction on investments by banks in equity securities, for a period of five years from the amalgamation. In addition, the Reserve Bank of India also approves the exclusion, on a case by case basis, of equity investments acquired by conversion of loans under restructuring schemes approved by the Corporate Debt Restructuring Forum. To ensure compliance with the Securities and Exchange Board of India's revised insider trading regulations, all dealings in our equity investments in listed companies are undertaken by the equity and corporate bonds dealing desks of our treasury, which are segregated from our other business groups as well as the other groups and desks in the treasury, and which do not have access to unpublished price sensitive information about these companies that may be available to us as lenders.

We deal in several major foreign currencies and take deposits from non-resident Indians in four major foreign currencies. We also manage onshore accounts in foreign currencies. We control market risk and credit risk on our foreign exchange trading portfolio through an internal model which sets counterparty limits, stop-loss limits and limits on the loss of the entire foreign exchange trading operations and exception reporting.

For details of our treasury-related products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services, see "- Commercial Banking for Corporate Customers".

Insurance

We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company are joint ventures with Prudential plc of UK and Fairfax Financial Holdings Limited of Canada, respectively, in which we have a 74.0% interest. We collect fees from these subsidiaries for generating leads and providing referrals that are converted into policies. ICICI Prudential Life Insurance Company incurred a net loss of Rs. 1.88 billion (US$ 41 million) in fiscal 2006 and a net loss of Rs 2.22 billion (US$ 48 million) in the six months ended September 30, 2006. ICICI Lombard General Insurance made a net profit of Rs. 503.1 million (US$ 11 million) in fiscal 2006 and a net profit after tax of Rs. 331.7 million (US$ 7 million) in the six months ended September 30, 2006. We expect our insurance joint ventures to experience significant growth and to require additional investments by us. The profit or loss of these companies is not reflected in the financial statements included in this offering memorandum, which are for ICICI Bank Limited on a standalone basis.

Asset Composition and Classification

Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing exposure in a particular industry in light of our forecasts of growth and profitability for that industry. Our Risk Management Group monitors all major sectors of the economy and specifically follows industries in which we have credit exposures. We seek to respond to any economic weakness in an industrial segment by restricting new credits to that industry segment and any growth in an industrial segment by increasing new credits to that industry segment, resulting in active portfolio management. Our policy is to limit total loans outstanding to any particular industry (other than retail loans) to 15.0% of our total loan portfolio.

The following tables set forth, at the dates indicated, the composition of our gross loans (net of write-offs).

	Year ended March 31,				Six months ended September 30,		
	2005		2006		2006		
Industry	Total loans	% to total loans	Total loans	% to total loans	Total loans	% to total loans	Total loans
	(Rupees in billions, except percentages)						(US$ in millions)
Retail finance[1]	566.52	60.9	929.08	62.9	1,087.19	69.2	US$23,660
Services	26.87	2.9	77.29	5.2	70.98	4.5	1,545
Iron & steel	47.43	5.1	45.29	3.1	40.39	2.6	879
Crude petroleum/refining	42.86	4.6	40.51	2.7	39.62	2.5	862
Chemicals	28.03	3.0	39.51	2.7	37.81	2.4	823
Power	17.75	1.9	27.41	1.9	27.41	1.8	597
Roads, ports, railways & telecom	35.54	3.8	29.91	2.0	25.67	1.6	559
Metal & metal products	17.43	1.9	20.37	1.4	14.31	0.9	311
Engineering	17.17	1.8	23.03	1.6	14.62	0.9	318
Shipping	4.77	0.5	7.47	0.5	14.15	0.9	308
Cotton Textiles	11.33	1.2	9.36	0.6	10.63	0.7	231
Automobiles	7.08	0.8	8.94	0.6	7.38	0.5	161
Food processing	6.81	0.7	11.92	0.8	6.90	0.4	150
Cement	10.08	1.1	7.09	0.5	6.22	0.4	135
Paper & paper products	5.43	0.6	6.40	0.4	5.64	0.4	123
Sugar	4.54	0.5	5.92	0.4	3.20	0.2	70
Beverages	1.00	0.1	5.79	0.4	2.80	0.2	61
Other textiles	4.21	0.5	4.11	0.3	2.28	0.2	50
Other industries[2]	75.60	8.1	176.86	12.0	153.41	9.8	3,339
Total	**930.45**	**100.00**	**1,476.25**	**100.00**	**1,570.61**	**100.00**	**34,182**

(1) Includes dealer and developer financing.

(2) Others primarily include transportation, food products, petrochemicals, man-made fibres, machinery, plastics, mining, rubber and rubber products, shipping, agriculture, construction, printing, mineral products, glass and glass products, watches, healthcare, gems and jewellery, leather and wood products industries.

Our net loans and advances at September 30, 2006 increased to Rs. 1,554.03 billion (US$ 33.8 billion) as compared to Rs. 1,461.63 billion (US$ 31.8 billion) in March 31, 2006. Our loans and advances increased by 60.0% to Rs. 1,461.63 billion (US$ 31.8 billion) at March 31, 2006 from Rs. 914.05 billion (US$ 19.9 billion) at March 31, 2005. Retail finance constituted 69.2% of our total loans and advances at September 30, 2006 compared to 62.9% at year-end fiscal 2006 and 60.9% at year-end fiscal 2005. Retail products and services have been the primary driver of our growth and are a critical component of our projections of earnings (See "Risk factors"). The following table sets forth, at the dates indicated, the composition of our gross (net of write-offs) retail finance portfolio.

	Year ended March 31,		Six months ended September 30,	
	2005	2006	2006	2006
	(Rupees in billions)			(US$ in billions)
Home loans[1]	284.76	454.84	547.53	11.92
Automobile loans	102.86	188.74	191.81	4.17
Commercial business	85.59	120.49	137.18	2.99
Two-wheelers loans	12.42	20.98	17.03	0.37
Personal loans	24.95	58.98	93.35	2.03
Credit card receivables	20.64	35.45	44.85	0.98
Loans against securities and others[2]	35.31	49.61	55.44	1.21
Total retail finance portfolio	566.52	929.08	1,087.19	23.67

(1) Includes developer financing.
(2) Includes dealer financing.

Our advances to the services sector were 4.5% of our total advances at September 30, 2006 compared to 5.2% at year-end fiscal 2006 and 2.9% at year-end fiscal 2005. Our advances to the iron & steel sector were 2.6% of our total advances at September 30, 2006 and 3.1% at year-end fiscal 2006 compared to 5.1% of our total advances at year-end fiscal 2005. Our advances to the crude petroleum/refining sector were 2.5% of our total advances at September 30, 2006 compared to 2.7% at year-end fiscal 2006 and 4.6% at year-end fiscal 2005.

Pursuant to the guidelines of the Reserve Bank of India, our credit exposure to individual borrowers must not exceed 15.0% of our capital funds, comprising Tier I and Tier II capital calculated pursuant to the guidelines of the Reserve Bank of India. Credit exposure to single borrowers may exceed the exposure norm of 15.0% of capital funds by an additional 5.0% (i.e. up to 20.0%) provided the additional credit exposure is on account of infrastructure financing. Our exposure to a group of companies under the same management control must not exceed 40.0% of our capital funds unless the exposure is in respect of an infrastructure project. In that case, the exposure to a group of companies under the same management control may be up to 50.0% of our capital funds. With effect from June 1, 2004, banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., 20.0% of capital funds for an individual borrower and 45.0% of capital funds for a group of companies under same management), making appropriate disclosures in their annual reports. Exposure for funded facilities is calculated as the total committed credit and investment sanctions or the outstanding funded amount, whichever is higher (for term loans, as the sum of undisbursed commitments and the outstanding amount). Exposure for non-funded facilities is calculated as 100.0% of the committed amount or the outstanding non-funded amount whichever is higher.

At September 30, 2006, ICICI Bank was in compliance with the guidelines of the Reserve Bank of India, as referred to above. Our exposure to the largest borrower at September 30, 2006 accounted for approximately 13.9% of our capital funds. Our exposure to the largest borrower group at September 30, 2006 accounted for approximately 23.6% of our capital funds.

Directed Lending

The Reserve Bank of India requires banks to lend to certain sectors of the economy. Such directed lending comprises priority sector lending, export credit and housing finance.

Priority Sector Lending

The Reserve Bank of India has established guidelines requiring banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exemptions permitted by the Reserve Bank of India from time to time) to certain specified sectors called priority sectors. Priority sectors include small-scale industries, the agricultural sector, food and agri-based industries, small businesses and housing finance up to certain limits. The agricultural sector is further bifurcated into direct finance to agriculture which mainly includes short-term crop loans and medium and long term loans provided directly to farmers for financing production and development needs and indirect finance to agriculture which mainly includes financing the distribution of fertilizers, pesticides, seeds, etc, financing distribution of inputs for the allied activities such as, cattle feed, poultry feed, etc. and various other specified categories. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector (including direct agriculture and indirect agriculture) and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a limit of Rs. 10.0 million on investment in plant and machinery, and an investment limit of Rs. 50.0 million in respect of certain specified items), small businesses, including retail merchants, professional and other self employed persons and road and water transport operators, housing loans up to certain limits and to specified state financial corporations and state industrial development corporations. To ensure focus of the banks on the direct agricultural advances Reserve Bank of India has stipulated that the lending under the indirect category should not exceed one-fourth of the agricultural sub-target of 18%, therefore banks are necessarily required to lend 13.5% of their net bank credit to the direct agricultural sector. While granting its approval for the amalgamation, the Reserve Bank of India stipulated that since ICICI's loans transferred to us were not subject to the priority sector lending requirement, we are required to maintain priority sector lending of 50.0% of our net bank credit on the residual portion of our advances (i.e., the portion of our total advances excluding advances of ICICI at year-end fiscal, 2002, henceforth referred to as residual net bank credit). This additional 10.0% priority sector lending requirement will apply until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. The Reserve Bank of India's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments/funds for qualification as priority sector advances apply to us.

We are required to comply with the priority sector lending requirements at the end of each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development and the Small Industries Development Bank of India. These deposits have a maturity of up to five years and carry interest rates lower than market rates.

We report our priority sector loans to the Reserve Bank of India on a quarterly basis. The loans reported are as on the last "reporting Friday" of the quarter. At March 31, 2006, which was the last reporting Friday for the quarter-ended March 31, 2006, our priority sector loans were Rs. 432.29 billion, constituting 49.7% of our residual net bank credit against the requirement of 50.0%.

The following table sets forth, for the periods indicated, our priority sector loans, classified by the type of borrower, as at the last reporting Friday of fiscal 2006:

	March 31, 2006	% of residual net bank credit at March 31, 2006
Small scale industries[1]	3.51	0.4%
Others including housing loans and small businesses	282.20	32.4%
Agricultural sector[2]	146.58	16.9%
Total	432.29	49.7%

(1) Small scale industries are defined as manufacturing, processing and services businesses with a limit of Rs. 10.0 million on investment in plant and machinery.

(2) Includes direct agriculture loans of Rs. 101.11 billion constituting 11.6% of our residual net bank credit against the requirement of 13.5%.

Export Credit

As part of directed lending, the Reserve Bank of India also requires banks to make loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At the end of the any fiscal year, 12.0% of a bank's net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing in India from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At March 31, 2006 (last reporting Friday for March 2006), our export credit was Rs. 11.54 billion, constituting 1.3% of our residual net bank credit.

Housing Finance

The Reserve Bank of India requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India. Our housing finance lending in fiscal 2006 was significantly higher than the requirement of 3.0% of incremental deposits. Housing finance also qualifies as priority sector lending. At March 31, 2006 (last reporting Friday for March 2006), our housing finance loans qualifying as priority sector loans were Rs. 234.27 billion.

Classification of Loans

We classify our assets as performing and non-performing in accordance with the Reserve Bank of India's guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days (180 days until fiscal 2003), in respect of term loans. In respect of overdraft or cash credit, an asset is classified as non-performing if the account remains out of order for a period of 90 days (180 days until fiscal 2003) and in respect of bills, if the account remains overdue for more than 90 days (180 days until fiscal 2003).

Asset Classification

Assets are classified as described below:

Standard assets	Assets that do not disclose any problems or which do not carry more than normal risk attached to the business are classified as standard assets.
Sub-standard assets	Sub-standard assets comprise assets that are non-performing for a period not exceeding 12 months (18 months until year-end fiscal 2004).
Doubtful assets	Doubtful assets comprise assets that are non-performing for more than 12 months (18 months until year-end fiscal 2004).
Loss assets	Loss assets comprise assets (i) the losses on which are identified or (ii) that are considered uncollectible.

Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures like debentures and preference shares. In compliance with regulations governing the presentation of financial information by banks, we report only non-performing loans and advances in our financial statements.

Restructured Loans

The Reserve Bank of India has separate guidelines for restructured assets. A fully secured standard loan can be restructured by reschedulement of principal repayments and/or the interest element, but must be separately disclosed as a restructured loan in the year of restructuring. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

Provisioning and Write-Offs

The Reserve Bank of India guidelines on provisioning and write-offs are as described below:

Standard assets	As per Reserve Bank of India guidelines issued in September 2005, banks are required to make general provision at 0.40% on standard loans (excluding loans to the agriculture sector and to small and medium enterprises). As per Reserve Bank of India guidelines issued in May 2006, the general provisions for personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2.0 million and commercial real estate loans was increased to 1.00% from 0.40%. Further, in its guidelines issued in July 2006, the Reserve Bank of India has allowed banks to create the above additional provision in a phased manner as given below. a) 0.55% by June 2006; b) 0.70% by September 2006; c) 0.85% by December 2006; and d) 1.00% by March 2007.
Sub-standard assets	A general provision of 10% is required for all sub-standard assets. An additional provision of 10% is required for accounts that are unsecured, *ab-initio*.
Doubtful assets	A 100% provision/write-off is required in respect of the unsecured portion of the doubtful asset. Until year-end fiscal 2004, a 20% to 50% provision was required for the secured portion as follows: a) Up to one year: 20% provision; b) One to three years: 30% provision; and c) More than three years: 50% provision. Effective the quarter ended June 30, 2004, a 100% provision is required for assets classified as doubtful for more than three years on or after April 1, 2004. In respect of assets classified as doubtful for more than three years up to March 31, 2004, 60% to 100% provision on such secured portion is required as follows: a) By March 31, 2005: 60% provision; b) By March 31, 2006: 75% provision; and c) By March 31, 2007: 100% provision.

Loss assets	The entire asset is required to be written off or provided for.
Restructured loans	A provision equal to the difference between the present value of the future interest as per the original loan agreement and the present value of the future interest on the basis of rescheduled terms at the time of restructuring, is required to be made.

Our policy

Until fiscal 2004 we made provisions aggregating 50% of the secured portion of corporate non-performing assets over a three-year period instead of the five-and-a-half year period prescribed by the Reserve Bank of India. Effective the quarter ended June 30, 2004, we provide for corporate non-performing assets in line with revised Reserve Bank of India guidelines requiring 100% provision over a five-year period. Loss assets and the unsecured portion of doubtful assets are fully provided for or written off. Additional provisions are made against specific non-performing assets if considered necessary by management. We make provisions and write-offs for retail non-performing loans in excess of the provisions required by the Reserve Bank of India guidelines. Non-performing assets acquired from ICICI in the amalgamation were fair valued and additional provisions were recorded to reflect the fair valuation. We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative write-offs in our financial statements.

For restructured loans, provisions are made in accordance with the guidelines issued by the Reserve Bank of India, which require that the difference between the present values of the future interest as per the original loan agreement and the present values of future interest on the basis of rescheduled terms be provided at the time of restructuring.

The following table sets forth, at the dates indicated, data regarding the classification of our gross portfolio (net of write-offs and unpaid interest on non-performing assets).

	At March 31,										At September 30,	
	2002		2003		2004		2005		2006(1)		2006(1)	
	(in billions, except percentages)											
Standard	Rs.551.98	91.2%	Rs.630.50	91.5%	Rs.705.98	94.6%	Rs.964.08	96.6%	Rs.1,512.81	98.5%	Rs.1,624.65	98.2%
of which:												
Restructured loans	50.43	8.3	92.87	13.4	75.45	10.1	65.62	6.6	55.46	3.6	51.08	3.1
Non-perform-ing assets	53.25	8.8	58.39	8.5	40.14	5.4	34.37	3.4	22.73	1.5	30.37	1.8
Of which:												
Sub-standard	19.08	3.2	18.69	2.7	14.93	2.0	10.20	1.0	10.71	0.7	16.24	1.0
Doubtful assets	34.11	5.6	39.40	5.7	24.87	3.3	23.68	2.4	11.05	0.7	13.13	0.7
Loss assets	0.06	—	0.30	0.1	0.34	0.1	0.49	—	0.97	0.1	1.00	0.1
Total loan assets	**Rs.605.23**	**100.0%**	**Rs.688.89**	**100.0%**	**Rs.746.12**	**100.0%**	**Rs.998.45**	**100.0%**	**Rs.1,535.54**	**100.0%**	**Rs.1,655.02**	**100.0%**

(1) Excludes preference shares.

The following table sets forth, at the dates indicated, data regarding our non-performing assets, or NPAs.

Year ended	Gross NPA[1]	Net NPA	Net customer assets	% of Net NPA to Net customer assets
	(in billions, except percentages)			
March 31, 2002	Rs.53.25	Rs.27.21	Rs. 575.26	4.73%
March 31, 2003	58.39	31.51	640.51	4.92
March 31, 2004	40.14	20.37	710.02	2.87
March 31, 2005	34.37	19.83	978.94	2.03
March 31, 2006[2]	22.73	10.75	1,520.07	0.71
September 30, 2006[2]	30.37	15.45	1,637.85	0.94

(1) Net of write-offs and interest suspense.

(2) Excludes preference shares.

The ratio of net non-performing assets to net customer assets was 0.94% at September 30, 2006 as compared to 0.71% at March 31, 2006 and 2.03% at March 31, 2005. At September 30, 2006, the gross non-performing assets (net of write-offs and unpaid interest) were Rs. 30.37 billion compared to Rs. 22.73 billion at March 31, 2006. Including technical write-offs (provisions considered as write-offs for tax purposes), the gross non-performing assets at September 30, 2006 were Rs. 37.01 billon compared to Rs. 29.63 billion at March 31, 2006. The coverage ratio (i.e. total provisions and technical write-offs made against non-performing assets as a percentage of gross non-performing assets) at September 30, 2006 was 58.3%.

In 1991, India commenced a program of industrial liberalization involving, among other things, the abolition of industrial licensing, reduction in import tariff barriers and greater access for foreign companies to the Indian markets. In the period following the opening up of the economy, a number of Indian companies commenced large projects in expectation of growth in demand in India. These projects had in general relatively high levels of debt relative to equity, given the inadequate depth in the equity capital markets in India at that time. During the 1990s, the Indian economy was impacted by negative trends in the global marketplace, particularly in the commodities markets, and recessionary conditions in various economies, which have impaired the operating environment for the industrial sector in India. The manufacturing sector was also impacted by several other factors, including increased competition arising from economic liberalization in India and volatility in industrial growth and commodity prices. This led to stress on the operating performance of Indian companies and an increase in the level of non-performing assets in the Indian financial system, including ICICI and us.

Certain Indian corporations have come to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The increase in commodity prices since fiscal 2003 has had a favorable impact on the operations of corporations in several sectors. To create an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems. The operation of this system led to the approval of restructuring programs for a large number of companies, which led to an increase in the level of restructured loans in the Indian financial system, including us. The restructured loans continue to be classified as such until they complete one year of payment in accordance with the restructured terms. Our net restructured standard loans were Rs. 49.42 billion at September 30, 2006 compared to Rs. 53.16 billion at year-end fiscal 2006 and Rs. 62.63 billion at year-end fiscal 2005.

Non-Performing Asset Strategy

In respect of unviable non-performing assets, where the companies have lost viability, we adopted an aggressive approach aimed at out-of-court settlements, enforcing collateral and driving consolidation. Our focus was on time value of recovery and a pragmatic approach towards settlements. The strong collateral against our loan assets has been the critical factor towards the success of our recovery efforts. In addition, we continually focused on proactive management of accounts under watch. Our strategy constituted a proactive approach towards identification, aimed at early stage solutions to incipient problems.

The Securitization Act has strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues from corporate borrowers. The Securitization Act and guidelines issued by the Reserve Bank of India have permitted the setting up of asset reconstruction companies to acquire financial assets by banks and financial institutions. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. (See "Supervision and Regulation—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies"). We sold Rs. 4.79 billion of our net non-performing assets during fiscal 2006 and Rs. 13.28 billion of our net non-performing assets during fiscal 2005 to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India. At September 30, 2006, we had an outstanding net investment of Rs. 24.27 billion (US$ 528 million) in security receipts issued by Asset Reconstruction Company (India) Limited in relation to sales of non-performing assets by us to ARCIL. See "Risk Factors—Risks Relating to Our Business—If we are not able to control the level of non-performing assets in our portfolio, our business will suffer".

We monitor migration of the credit ratings of our borrowers to enable us to take proactive remedial measures to prevent loans from becoming non-performing. We review the industry outlook and analyze the impact of changes in the regulatory and fiscal environment. Our periodic review system helps us to monitor the health of accounts and to take prompt remedial measures. In respect of our retail loans, we adopt a standardized collection process to ensure prompt action for follow-up on overdues and recovery of defaulted amounts.

Sector-wise Analysis of Gross Non-Performing Assets

The following table sets forth, at the dates indicated, the composition of gross non-performing assets by industry sector.

	At March 31,				At September 30,	
	2005		2006		2006	
	Amount	%	Amount	%	Amount	%
	(in billions, except percentages)					
Chemicals (including fertilizers & pesticides)	Rs. 4.02	11.6%	Rs. 1.99	8.7%	Rs. 2.03	6.6%
Agriculture	0.27	0.8	0.80	3.5	1.20	3.9
Automobiles (including trucks)	0.68	2.0	0.74	3.2	0.74	2.4
Iron and steel	0.67	1.9	0.19	0.8	0.70	2.3
Services (excluding finance)	0.67	1.9	0.81	3.5	0.59	1.9
Textiles	3.24	9.4	1.26	5.5	0.44	1.5
Electronics	1.41	4.1	0.39	1.7	0.33	1.1
Food processing	0.72	2.1	0.34	1.5	0.19	0.6
Engineering	1.42	4.1	0.14	0.6	0.10	0.3
Other metal & metal products	0.38	1.1	0.04	0.2	0.09	0.3
Paper and paper products	0.35	1.0	0.05	0.2	0.05	0.2
Power	7.37	21.3	—	—	—	—
Road/port/railways & other infrastructure	2.14	6.2	—	—	—	—
Services—finance	0.77	2.2	—	—	—	—
Cement	0.20	0.6	—	—	—	—
Retail finance	8.08	23.3	14.29	62.3	21.17	69.1
Other industries	2.21	6.4	1.91	8.3	3.00	9.8
Total	**Rs.34.60**	**100.0%**	**Rs.22.95**	**100.0%**	**Rs.30.63**	**100.0%**
Interest suspense	(0.23)		(0.22)		(0.26)	
Gross non-performing assets	Rs.34.37		Rs.22.73		Rs.30.37	

Gross retail non-performing assets increased from Rs. 8.08 billion (US$ 176 million) at year-end fiscal 2005 to Rs. 14.29 billion (US$ 311 million) at year-end fiscal 2006 and Rs. 21.17 billion (US$ 461 million) at September 30, 2006, primarily due to the growth of the retail portfolio. The net non-performing assets in the retail portfolio at September 30, 2006 were 0.98% of net retail assets. Retail non-performing loans constituted 69.1% of total non-performing assets at September 30, 2006 compared to 62.3% at year-end fiscal 2006 and 23.3% at year-end fiscal 2005, due to a reduction in non-performing loans, excluding retail loans, and an increase in retail non-performing loans in line with the growth in the retail portfolio.

The following table sets forth, at the dates indicated, our gross non-performing rupee and foreign currency customer asset portfolio by business category.

	At March 31,					At September 30,
	2002	2003	2004	2005	2006	2006
	(in billions, except percentages)					
Consumer loans & credit card receivables	**Rs. 0.14**	**Rs. 0.94**	**Rs. 3.40**	**Rs. 8.08**	**Rs. 14.29**	**Rs. 21.17**
Rupee	0.14	0.94	3.40	8.08	14.29	21.17
Foreign currency	—	—	—	—	—	—
Commercial, financial, agricultural & others(1)	**48.93**	**52.70**	**32.58**	**23.63**	**5.66**	**5.06**
Rupee	32.93	37.76	25.59	20.07	3.65	3.94
Foreign currency	16.00	14.94	6.99	3.56	2.01	1.12
Working capital finance	**4.00**	**4.78**	**4.54**	**2.81**	**2.94**	**4.07**
Rupee	4.00	4.78	4.54	2.81	2.94	4.07
Foreign currency	—	—	—	—	—	—
Leasing and related activities	**0.62**	**0.46**	**0.12**	**0.08**	**0.06**	**0.33**
Rupee	0.62	0.46	0.12	0.08	0.06	0.33
Foreign currency	—	—	—	—	—	—
Total non-performing assets						
Rupee	37.69	43.94	33.65	31.04	20.94	29.51
Foreign currency	16.00	14.94	6.99	3.56	2.01	1.12
Gross non-performing assets	**53.69**	**58.88**	**40.64**	**34.60**	**22.95**	**30.63**
Provisions	(26.00)	(26.88)	(19.77)	(14.49)	(11.93)	(14.87)
Interest Suspended & ECGC claims(2)	(0.48)	(0.49)	(0.50)	(0.28)	(0.27)	(0.31)
Net non-performing assets	**Rs. 27.21**	**Rs. 31.51**	**Rs. 20.37**	**Rs. 19.83**	**Rs. 10.75**	**Rs. 15.45**
Gross customer assets	Rs.605.19	Rs.690.81	Rs.746.62	Rs.998.68	Rs.1,535.77	Rs.1,655.29
Net customer assets	575.26	640.51	710.02	978.94	1,520.07	1,637.85
Gross non-performing assets as a percentage of gross customer assets	8.87%	8.52%	5.44%	3.46%	1.49%	1.85%
Net non-performing assets as a percentage of net customer assets	4.73%	4.92%	2.87%	2.03%	0.71%	0.94%

(1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities.

(2) Including amounts claimed as recoverable from Export Credit Guarantee Corporation of India.

Provisions for Loan Losses (non-performing loans)

The following table sets forth, at the dates indicated, movement in our allowances for loan losses.

	At March 31, 2005	At March 31, 2006	At September 30, 2006
	(in billions)		
Aggregate provisions for loan losses at the beginning of the year	Rs. 19.77	Rs. 14.49	Rs.11.93
Add: Provisions for loan losses			
Consumer loans & credit card receivables finance	4.30	1.92(1)	3.31
Commercial, financial, agricultural & others(2)	(0.48)	0.90	0.47
Working capital finance	0.96	0.61	0.26
Leasing and related activities	(0.01)	(0.02)	0.02
Total provisions for loan losses, net of releases of provisions as a result of cash collections	Rs. 24.54	Rs. 17.90	Rs.15.99
Loans charged-off	(10.05)	(5.97)	(1.12)
Aggregate provisions for loan losses at the end of the year	Rs. 14.49	Rs. 11.93	Rs.14.87

(1) Net off Rs. 1.69 billion on reassessment of provisioning requirement on performing loans and non-performing loans on a portfolio basis.

(2) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities.

Funding

Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Since the amalgamation of ICICI with us, our primary source of funding has been deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and public issuance of bonds because ICICI was not allowed to raise banking deposits as a financial institution and so its primary sources of funding prior to the amalgamation were rupee borrowings from a wide range of institutional investors and retail bonds. ICICI also raised funds through foreign currency borrowings from commercial banks and other multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the government of India.

Our deposits were 67.1% of our total liabilities at September 30, 2006 and 65.7% of our total liabilities at year-end fiscal 2006 and 59.5% at year-end fiscal 2005. Our borrowings (including subordinated debt) were 18.3% of our total liabilities at September 30, 2006, 19.4% of our total liabilities at year-end fiscal 2006 and 24.9% at year-end fiscal 2005.

Our deposits increased by 14.8% to Rs. 1,894.99 billion (US$ 41.2 billion) at September 30, 2006 as compared to Rs. 1,650.83 billion (US$ 35.9 billion) at year-end March 31, 2006, primarily through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging on our network of branches, extension counters and ATMs.

The following table sets forth, at the dates indicated, our outstanding deposits and the percentage composition for each category of deposits.

	March 31, 2005		March 31, 2006		September 30, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in billions, except percentages)					
Other demand deposits	Rs.128.37	12.9	Rs. 165.73	10.0	Rs. 148.19	7.8
Savings deposits	113.92	11.4	209.37	12.7	271.77	14.3
Time deposits	755.90	75.7	1,275.73	77.3	1,475.03	77.9
Total deposits	**Rs.998.19**	**100.0**	**Rs.1,650.83**	**100.0**	**Rs.1,894.99**	**100.0**

The following table sets forth, for the periods indicated, the average volume (i.e. the average daily balance) and average cost of deposits by type of deposit.

	Year ended March 31,				Six months ended September 30,	
	2005		2006		2006	
	Amount	Cost(1)	Amount	Cost(1)	Amount	Cost(1)
	(in billions, except percentages)					
Interest-bearing deposits:						
Savings deposits	Rs. 92.64	2.4	Rs. 148.79	2.7	Rs. 234.08	2.6
Time deposits	557.75	5.4	896.42	6.1	1,386.58	7.2
Non-interest-bearing deposits						
Other demand deposits	78.51	—	120.86	—	170.07	—
Total deposits	**Rs.728.90**	**4.5**	**Rs.1,166.07**	**5.0**	**Rs.1,790.74**	**6.0**

(1) Represents interest expense divided by the average balance.

Our average deposits for the six months ended September 30, 2006 were Rs. 1,790.74 billion at an average cost of 6.0% compared to average deposits of Rs. 1,166.07 billion at an average cost of 5.0% for fiscal 2006. Our average time deposits for the six months ended September 30, 2006 were Rs. 1,386.58 billion at an average cost of 7.2% compared to average time deposits of Rs. 896.42 billion at an average cost of 6.1% in fiscal 2006. The average cost of deposits increased primarily due to systemic rise in interest rates in India in the second half of fiscal 2006.

The following table sets forth the maturity profile of time deposits at September 30, 2006.

	Up to one year	After one year and within three years	After three years	Total
	(in billions)			
Time deposits	Rs.1,314.36	Rs.94.88	Rs.65.79	Rs.1,475.03

The following table sets forth, for the periods indicated, average outstanding rupee borrowings based on quarterly balance sheets and by category of borrowing and the percentage composition by category of borrowing. The average cost (interest expense divided by average of quarterly balances) for each category of borrowings is provided in the footnotes.

	Year ended March 31,(1)				Six months ended September 30,(2)	
	2005		2006		2006	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in billions, except percentages)					
SLR bonds(3)	Rs. 14.82	4.8	Rs. 14.82	4.7	Rs. 14.82	4.7
Borrowings from Indian Government(4)	4.69	1.5	3.58	1.1	2.78	0.9
Other borrowings(5)(6)	289.51	93.7	296.08	94.2	298.49	94.4
Total(6)	**Rs.309.02**	**100.0**	**Rs.314.48**	**100.0**	**Rs.316.09**	**100.0**

(1) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2005 and 2006.
(2) Average of quarterly balances at the end of March of the previous fiscal year and June and September of that fiscal year for the six months ended September 30, 2006.
(3) With an average cost of 11.6% in fiscal 2005, 11.6% in fiscal 2006 and 11.7% in the six months ended September 30, 2006.

(4) With an average cost of 10.3% in fiscal 2005, 10.8% in fiscal 2006 and 11.7% in the six months ended September 30, 2006.
(5) With an average cost of 9.2% in fiscal 2005, 8.9% in fiscal 2006 and 8.8% in the six months ended September 30, 2006.
(6) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits such as certificate of deposits, call borrowings and repo borrowings. Does not include fixed deposits.

The following table sets forth, for the periods indicated, average outstanding volume of foreign currency borrowings based on quarterly balance sheets by source and the percentage composition by source. The average cost (interest expense divided by average of quarterly balances) for each source of borrowing is provided in the footnotes.

	At March 31,(1)				At September 30,(2)	
	2005		2006		2006	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in billions, except percentages)					
Commercial borrowings(3)	Rs. 80.86	76.3	Rs.150.20	86.2	Rs.204.49	89.4
Multilateral borrowings(4)	25.08	23.7	24.03	13.8	24.17	10.6
Total	Rs.105.94	100.0	Rs.174.23	100.0	Rs.228.66	100.0

(1) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2005 and 2006.
(2) Average of quarterly balances at the end of March of the previous fiscal year and June and September of that fiscal year for the six months ended September 30, 2006.
(3) With an average cost (including swap costs) of 3.7% in fiscal 2005, 5.4% in fiscal 2006 and 6.2% in the six months ended September 30, 2006.
(4) With an average cost of 3.2% in fiscal 2005, 4.0% in fiscal 2006 and 5.1% in the six months ended September 30, 2006.

At September 30, 2006, our outstanding subordinated debt was Rs. 155.95 billion (US$ 3.4 billion) of which Rs. 148.12 billion (US$ 3.2 billion) is classified as Tier II capital (including Upper Tier II instruments of Rs. 12.55 billion) (US$ 0.3 billion) in calculating the capital adequacy ratio. Under the Reserve Bank of India's capital adequacy requirements, we are required to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0% effective March 31, 2000, at least half of which must be Tier I capital. Total subordinated debt classified as Tier II capital excluding upper Tier II capital cannot exceed 50.0% of Tier I capital and upper Tier II instruments along with other categories of Tier II capital shall not exceed 100% of Tier I capital.

The 25 largest borrowings at March 31, 2006 constituted 38.93% of our total borrowings and unsecured redeemable debentures and bonds (including subordinated debt) at that date.

Risk Management

As a financial intermediary, we are exposed to risks that are particular to our lending, transaction banking and trading businesses and the environment within which we operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that the organization adheres strictly to the policies and procedures, which are established to address these risks.

We are primarily exposed to credit risk, market risk, liquidity risk, operational risk and legal risk. We have four centralized groups the Credit Risk Management Group, the Market and Operational Risk Management Group, the Compliance Group and the Internal Audit Group with a mandate to identify, assess and monitor all of our principal risks in accordance with well-defined policies and procedures. The Credit Risk Management Group reports to the Joint Managing Director. The head of the Market and Operational Risk Management Group reports to the group Chief Financial Officer. The Compliance Group reports to the Audit Committee of the Board of Directors and the Managing Director and CEO. The Internal Audit Group reports to the Joint Managing Director and to the Audit Committee of the Board of Directors. These groups are independent of the business units and coordinate with representatives of the business units to implement our risk management methodologies. Committees of the board of directors have been constituted to oversee the various risk management activities. The Audit Committee provides direction to and also monitors the quality of the internal audit function. The Risk Committee reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate, investment policies and strategy, and regulatory and compliance issues in relation thereto. The Credit Committee reviews developments in key industrial sectors and our exposure to these sectors as well as to large borrower accounts. The Asset Liability Management Committee is responsible for managing the balance sheet and reviewing the asset-liability position to manage our liquidity and market risk exposure. For a discussion of these and other committees, see "Management".

The Credit Risk Management Group has a separate team for risk management in respect of small and medium enterprises. The Compliance Group is responsible for the regulatory and anti money laundering compliance of ICICI Bank.

Credit Risk

Our credit policy is approved by our board of directors. In our lending operations, we are principally exposed to credit risk. Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any financial contract with us, principally the failure to make required payments on loans due to us. We currently measure, monitor and manage credit risk for each borrower and at the portfolio level. We have a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal.

Credit Risk Assessment Procedures for Corporate Loans

In order to assess the credit risk associated with any financing proposal, we assess a variety of risks relating to the borrower and the relevant industry. Borrower risk is evaluated by considering:

- the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital, and its cash flow adequacy;
- the borrower's relative market position and operating efficiency; and
- the quality of management by analyzing its track record, payment record and financial conservatism.

Industry risk is evaluated by considering:

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

After conducting an analysis of a specific borrower's risk, the Credit Risk Management Group assigns a credit rating to the borrower. We have a scale of 10 ratings ranging from AAA to B, an additional default rating of D and short-term ratings from S1 to S8. Credit rating is a critical input for the credit approval process. We determine the desired credit risk spread over its cost of funds by considering the borrower's credit rating and the default pattern corresponding to the credit rating. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the appropriate industry specialists in the Credit Risk Management Group before being submitted for approval to the appropriate approval authority. The approval process for non-fund facilities is similar to that for fund-based facilities. The credit rating for every borrower is reviewed at least annually. We also review the ratings of all borrowers in a particular industry upon the occurrence of any significant event impacting that industry.

Working capital loans are generally approved for a period of 12 months. At the end of the 12 month validity period (18 months in the case of borrowers rated AA- and above), we review the loan arrangement and the credit rating of the borrower and take a decision on continuation of the arrangement and changes in the loan covenants as may be necessary.

Project Finance Procedures

We have a strong framework for the appraisal and execution of project finance transactions. We believe that this framework creates optimal risk identification, allocation and mitigation, and helps minimize residual risk.

The project finance approval process begins with a detailed evaluation of technical, commercial, financial, marketing and management factors and the sponsor's financial strength and experience. Once this review is completed, an appraisal memorandum is prepared for credit approval purposes. As part of the appraisal process, a risk matrix is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. The appraisal memorandum analyzes the risk matrix and establishes the viability of the project. Typical risk mitigating factors include the commitment of stand-by funds from the sponsors to meet any cost over-runs and a conservative collateral position. After credit approval, a letter of intent is issued to the borrower, which outlines the principal financial terms of the proposed facility, sponsor obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower. After completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

In addition to the above, in the case of structured project finance in areas such as infrastructure, oil, gas and petrochemicals, as a part of the due diligence process, we appoint consultants, wherever considered necessary, to advise the lenders, including technical advisors, business analysts, legal counsel and insurance consultants. These consultants are typically internationally recognized and experienced in their respective fields. Risk mitigating factors in these financings generally also include creation of debt service reserves by borrowers and channeling project revenues through a trust and retention account.

Our project finance credits are generally fully secured and have full recourse to the borrower. In most cases, we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. Our borrowers are required to maintain comprehensive insurance on their assets where we are recognized as payee in the event of loss. In some cases, we also take additional collateral in the form of corporate or personal guarantees from one or more sponsors of the project and a pledge of the sponsors' equity holding in the project company. In certain industry segments, we also take security interest in relevant project contracts such as concession agreements, off-take agreements and construction contracts as part of the security package. In limited cases, loans are also guaranteed by commercial banks and, in the past, have also been guaranteed by Indian state governments or the Government of India.

It is our current practice to normally disburse funds after the entire project funding is committed and all necessary contractual arrangements have been entered into. Funds are disbursed in tranches to pay for approved project costs as the project progresses. When we appoint technical and market consultants, they are required to monitor the project's progress and certify all disbursements. We also require the borrower to submit periodic reports on project implementation, including orders for machinery and equipment as well as expenses incurred. Project completion is contingent upon satisfactory operation of the project for a certain minimum period and, in certain cases, the establishment of debt service reserves. We continue to monitor the credit exposure until its loans are fully repaid.

Corporate Finance Procedures

As part of the corporate loan approval procedures, we carry out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. Our funding of long-term core working capital requirements is assessed on the basis, among other things, of the borrower's present and proposed level of inventory and receivables. In case of corporate loans for other funding requirements, we undertake a detailed review of those requirements and an analysis of cash flows. A substantial portion of our corporate finance loans are secured by a lien on appropriate assets of the borrower.

The focus of our structured corporate finance products is on cash flow based financing. We have a set of distinct approval procedures to evaluate and mitigate the risks associated with such products. These procedures include:

- carrying out a detailed analysis of cash flows to accurately forecast the amounts that will be paid and the timing of the payments based on an exhaustive analysis of historical data;
- conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and
- paying particular attention to the legal, accounting and tax issues that may impact any structure.

Our analysis enables us to identify risks in these transactions. To mitigate risks, we use various credit enhancement techniques, such as over-collateralization, cash collateralization, creation of escrow accounts and debt service reserves and performance guarantees. The residual risk is typically managed by complete or partial recourse to the borrowing company whose credit risk is evaluated as described above. We also have a monitoring framework to enable continuous review of the performance of such transactions.

Working Capital Finance Procedures

We carry out a detailed analysis of our borrowers' working capital requirements. Credit limits are established in accordance with the approval authorized by our board of directors. Once credit limits are approved, we calculate the amounts that can be lent on the basis of monthly statements provided by the borrower and the margins stipulated. Quarterly information statements are also obtained from borrowers to monitor the performance on a regular basis. Monthly cash flow statements are obtained where considered necessary. Any irregularity in the conduct of the account is reported to the appropriate authority on a monthly basis. Credit limits are reviewed on a periodic basis.

Working capital facilities are primarily secured by inventories and receivables. Additionally, in certain cases, these credit facilities are secured by personal guarantees of directors, or subordinated security interests in the tangible assets of the borrower including plant and machinery.

Credit Monitoring Procedures for Corporate Loans

The Credit Middle Office Group monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. All borrower accounts are reviewed at least once a year.

Retail Loan Procedures

Our customers for retail loans are typically middle and high-income, salaried or self-employed individuals, and, in some cases, partnerships and corporations. Except for personal loans and credit cards, we require a contribution from the borrower and our loans are secured by the asset financed.

Our retail credit product operations are sub-divided into various product lines. Each product line is further sub-divided into separate sales and credit groups. The Risk Management Group, which is independent of the business groups, approves all new retail products and product policies and credit approval authorizations. All products and policies require the approval of the Retail Credit Forum comprised of senior managers. All credit approval authorizations require the approval of our board of directors.

We use direct marketing associates as well as our own branch network and employees for marketing retail credit products. However, credit approval authority lies only with our credit officers who are distinct from the business teams. The delegation of credit approval authority is linked, among other factors, to the size of the credit and the authority delegated to credit officers varies across different products.

Our credit officers evaluate credit proposals on the basis of the product policy approved by the Retail Credit Forum and the risk assessment criteria defined by the Risk Management Group. These criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio, demographic parameters and certain stability factors. In the case of credit cards, in order to limit the scope of individual discretion, we have implemented a credit-scoring program that is an automated credit approval system that assigns a credit score to each applicant based on certain demographic attributes like income, educational background and age. The credit score then forms the basis of loan evaluation. External agencies such as field investigation agencies and credit processing agencies are used to facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans to individual borrowers. Before disbursements are made, the credit officer checks a centralized delinquent database and reviews the borrower's profile. We avail of the services of certain private agencies in India to check applications before disbursement, as a formal national credit bureau has only recently become operational in India. A centralized retail credit team undertakes review and audit of credit quality and processes across each credit approval team.

We have established centralized operations to manage operating risk in the various back office processes of our retail loan business except for a few operations, which are decentralized to improve turnaround time for customers.

We have a collections unit structured along various product lines and geographical locations, to manage delinquency levels. The collections unit operates under the guidelines of a standardized recovery process. We also make use of external collection agencies to aid it in collection efforts, including collateral repossession in accounts that are overdue for more than 90 days. External agencies for collections are governed by standardized process guidelines.

A fraud prevention and control department has been set up to manage levels of fraud, primarily through fraud prevention in the form of forensic audits and also through recovery of fraud losses. The fraud control department is aided by specialized agencies involved in verification of income documents. The fraud control department also evaluates the various external agencies involved in the retail finance operations, including direct marketing associates, external verification associates and collection agencies.

Small Enterprises Loan Procedures

The Small Enterprises Group finances dealers and vendors of companies by implementing structures to enhance the base credit quality of the vendor/dealer, that involve an analysis of the base credit quality of the vendor/dealer pool and an analysis of the linkages that exist between the vendor/dealer and the company.

The group is also involved in financing based on a cluster-based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such cluster involves identification of appropriate credit norms for target market, use of scoring models for enterprises that satisfy these norms and applying pre-determined exposure limits to enterprises that are awarded a minimum required score in the scoring model. The assessment also involves setting up of portfolio control norms, individual borrower approval norms as well as stringent review and exit triggers to be followed while financing such clusters or communities.

Rural and Agricultural Loan Procedures

The rural and agricultural loan portfolio comprises corporates in the rural sector, small and medium enterprises, dealers and vendors linked to these entities and farmers. We have designed appropriate risk assessment methodologies for each of the segments. For corporates, borrower risk is evaluated by analyzing the industry risk, the borrower's market position, financial performance, cash flow adequacy and the quality of management. The credit risk of dealers, vendors and farmers is evaluated by analyzing the base credit quality of the borrowers or the pool and also the linkages between the borrowers and the companies to which the dealers, vendors or farmers are supplying their produce. We attempt to enhance the credit quality of the pool of dealers, vendors and farmers by strengthening the structure of the transaction.

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

Credit Approval Authorities

Our credit approval authorization framework is laid down by our board of directors. We have established several levels of credit approval authorities for our corporate banking activities—the Credit Committee of the board of directors, the Committee of Directors, the Committee of Executives (Credit) and the Regional Committee (Credit). Retail Credit Forums, Small Enterprise Group Forums and Agri Credit Forums have been created for approval of retail loans, credit facilities to small enterprises and agri-based enterprises, respectively.

Our board of directors has delegated the authority to the Credit Committee, consisting of a majority of independent directors, the Committee of Directors, consisting of our wholetime directors, to the Committee of Executives (Credit), to the Regional Committee (Credit), Retail Credit Forums, Small Enterprise Group Forums and Agri Credit Forums, all consisting of our designated executives, and to individual executives in the case of retail, small enterprise, agricultural loans and loans against securities, to approve financial assistance within certain individual and group exposure limits set by the board of directors.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The prime source of market risk for us is the interest rate risk we are exposed to as a financial intermediary. In addition to interest rate risk, we are exposed to other elements of market risk such as liquidity or funding risk, price risk on trading portfolios, and exchange rate risk on foreign currency positions.

Market Risk Management Procedures

Our board of directors reviews and approves the policies for the management of market risk. The board has delegated the responsibility for market risk management on the banking book to the Asset Liability Management Committee and for the trading book to the Committee of Directors, within the broad parameters laid down by policies approved by the board. The Asset Liability Management Committee is responsible for managing interest rate risk on the banking book and liquidity risks reflected in the balance sheet. The Committee of Directors is responsible for formulating policies and risk controls for the trading book.

The Asset Liability Management Committee is chaired by the Joint Managing Director. The Deputy Managing Directors and the Executive Director are the other members of the Committee. The Committee generally meets on a monthly basis and reviews the interest rate and liquidity gap positions on the banking book, formulates a view on interest rates, sets deposit and benchmark lending rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, as deemed fit, in light of the current and expected business environment. The Structural Rate Risk Management Group and Balance Sheet Management Group are responsible for managing interest rate risk and liquidity risk, under the supervision of the Asset Liability Management Committee, on a day to day basis.

The Market Risk Management Group recommends changes in risk policies and controls and the processes and methodologies for quantifying and assessing market risks. Risk limits including position limits and stop loss limits for the trading book are monitored on a daily basis by the Treasury Middle Office Group and reviewed periodically.

Interest Rate Risk

Since our balance sheet consists predominantly of rupee assets and liabilities, movements in domestic interest rates constitute the main source of interest rate risk. The value of our portfolio of traded and other debt securities is negatively impacted by an increase in interest rates, while our net interest income is generally positively impacted by an increase in interest rates. For a discussion on our vulnerability to interest rate risk, see "Risk Factors—Risk Relating to Our Business—Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance." and "Risk Factors—Risk Relating to Our Business—We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our cost of funds." Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing date. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category, would then give an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. We prepare interest rate risk reports on a fortnightly basis. These reports are submitted to the Reserve Bank of India on a monthly basis. Interest rate risk is further monitored through interest rate risk limits approved by the Asset Liability Management Committee.

Our core business is deposit taking and lending in both rupees and foreign currencies, as permitted by the Reserve Bank of India. These activities expose us to interest rate risk. As the rupee market is significantly different from the international currency markets, gap positions in these markets differ significantly.

Our primary source of funding is deposits and, to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings deposits and current deposits, which do not have any specified maturity and can be withdrawn on demand. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans generally are repaid more gradually, with principal repayments being made over the life of the loan. Our housing loans at September 30, 2006 were primarily floating rate loans where any change in the benchmark rate with reference to which these loans are priced, is generally passed on to the borrower on the first day of the succeeding quarter. Until December 31, 2003, we followed a four-tier prime rate structure, namely, a short-term prime rate for one-year loans or loans that re-price at the end of one year, a medium-term prime rate for one to three year loans, a long-term prime rate for loans with maturities greater than three years, and a prime rate for cash credit products. Effective January 1, 2004, we have moved to a single benchmark prime rate structure for all loans other than specific categories of loans advised by the Indian Banks' Association (which include, among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities), with lending rates comprising the benchmark prime rate, term premia and transaction-specific credit and other charges. Interest rates on loans outstanding at December 31, 2003 continue to be based on the four-tier prime rate structure. We seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement.

In contrast to our rupee loans, a large proportion of our foreign currency loans are floating rate loans. These loans are generally funded with floating rate foreign currency funds. Our fixed rate foreign currency loans are generally funded with fixed rate foreign currency funds. We generally convert all our foreign currency borrowings and deposits into floating rate dollar liabilities through the use of interest rate and currency swaps with leading international banks. The foreign currency gaps are generally significantly lower than rupee gaps, representing a considerably lower exposure to fluctuations in foreign currency interest rates.

We use the duration of our government securities portfolio as a key variable for interest rate risk management. We increase or decrease the duration of government securities portfolio to increase or decrease our interest rate risk exposure. In addition, we also use interest rate derivatives to manage asset and liability positions. We are an active participant in the interest rate swap market and are one of the largest counterparties in India.

The following table sets forth our asset-liability gap position at September 30, 2006(5).

Maturity buckets	<1 year	1 to 3 years	3 to 5 years	> 5 years	Not sensitive	Total
			(in billions)			
Inflows						
Loans & advances	1,084.67	299.78	83.52	80.99	5.08	1,554.04
Investments	339.83	128.91	114.19	110.75	136.24	829.92
Cash/Reserve Bank of India balances	—	—	—	—	145.10	145.10
Balances with banks, call and term money(1)	75.78	—	0.41	0.33	16.64	93.16
Fixed assets(2)	2.28	3.94	3.83	0.55	28.63	39.23
Other assets(6)	49.88	0.01	0.01	0.66	111.72	162.28
Total inflows	**1,552.44**	**432.64**	**201.96**	**193.28**	**443.41**	**2,823.73**
Outflows						
Capital	—	—	—	—	12.43	12.43
Reserves & surplus	—	—	—	—	226.57	226.57
Deposits	1,328.56	352.91	43.22	22.12	148.19	1,895.00
Borrowings(6)	209.82	72.44	65.12	12.66	0.02	360.06
Others (including subordinated debt).	11.53	14.14	8.29	122.23	173.48	329.67
Total outflows	**1,549.91**	**439.49**	**116.63**	**157.01**	**560.69**	**2,823.73**
Total gap before risk management positions	2.53	(6.85)	85.33	36.27	(117.28)	0.00
Risk management positions(7)	(32.79)	(15.81)	51.25	4.29	—	6.94
Total gap after risk management positions	(30.26)	(22.66)	136.58	40.56	(117.28)	6.94

(1) Includes balances in current accounts with banks, money at call and short notice, term deposits and other placements.
(2) Includes leased assets.
(3) The maturity profile has been computed based on relevant asset-liability management guidelines of the Reserve Bank of India and policies approved by our Asset-Liability Management Committee.
(4) In computing the information of maturity profile, certain estimates and assumptions have been made by us.
(5) Assets and liabilities are classified into the applicable categories, based on residual maturity or re-pricing whichever is earlier. Classification methodologies are generally based on Asset Liability Management Guidelines issued by the Reserve Bank of India, effective from April 1, 2000. Items that neither mature nor re-price are included in the "greater than five years" category. This includes equity share capital and a substantial part of fixed assets. Impaired loans of residual maturity less than three years are classified in the "greater than one year and up to five years" category and impaired loans of residual maturity between three to five years are classified in the "greater than five years" category.
(6) The categorization for these items is different from that reported in the financial statements.
(7) The risk management positions comprise foreign currency and rupee swaps.

Price Risk (Banking book)

The following table sets forth, using the balance sheet at September 30, 2006 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for the twelve month period ending September 30, 2007, assuming a parallel shift in the yield curve.

	At September 30, 2006 Change in interest rate (in basis points)			
	(100)	(50)	50	100
	(in billions, except percentages)			
Rupee portfolio	1.50	0.75	(0.75)	(1.51)
Foreign currency portfolio	0.60	0.30	(0.30)	(0.60)
Total	**2.10**	**1.05**	**(1.05)**	**(2.10)**

Based on our asset and liability position at September 30, 2006, the sensitivity model shows that net interest income from the banking book for the twelve month period ending September 30, 2007 would decrease by Rs. 2.10 billion (US$ 46 million) if interest rates increased by 100 basis points during the twelve month period ending September 30, 2007. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points during the twelve month period ending September 30, 2007, net interest income for the twelve month period ending September 30, 2007 would increase by an equivalent amount of Rs. 2.10 billion (US$ 46 million).

Sensitivity analysis, which is based upon a static interest rate risk profile of assets and liabilities, is used for risk management purposes only and the model above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in net interest income will vary from the model.

The following tables sets forth, using the fixed income portfolio at September 30, 2006 as the base, one possible prediction of the impact of changes in interest rates on the value of our rupee fixed income trading portfolio, assuming a parallel shift in the yield curve

Price Risk (Trading book)

The following table sets forth, using the fixed income portfolio at September 30, 2006 as the base, one possible prediction of the impact of changes in interest rates on the value of our rupee fixed income trading portfolio for twelve month the period ended September 30, 2007, assuming a parallel shift in the yield curve.

		At September 30, 2006			
	Portfolio Size Market Value	Change in interest rate (in basis points)			
		(100)	(50)	50	100
		(Rupees in billions)			
Government of India securities	15.09	1.12	0.56	(0.56)	(1.12)

At September 30, 2006, the total market value of our rupee fixed income trading portfolio was Rs. 15.09 billion (US$ 328 million). The sensitivity model shows that if interest rates increase by 100 basis points, the value of the trading portfolio would fall by Rs. 1.12 billion (US$ 24 million). Conversely, if interest rates fell by 100 basis points, under the model, the value of this portfolio would rise by Rs. 1.12 billion (US$ 24 million).

As noted above, sensitivity analysis is used for risk management purposes only and the model used above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in the value of the fixed income portfolio will vary from the model above.

We revalue our trading portfolio on a daily basis and recognise aggregate re-valuation losses in our profit and loss account. The asset liability management policy stipulates an interest rate risk limit which seeks to cap the risk on account of the mark-to-market impact on the mark-to-market book and the earnings at risk on the banking book, based on a sensitivity analysis of a 100 basis points parallel and immediate shift in interest rates.

In addition, the Market Risk Management Group stipulates risk limits including position limits and stop loss limits for the trading book. These limits are monitored on a daily basis and reviewed periodically. In addition to risk limits, we also have risk monitoring tools such as Value-at-Risk models for measuring market risk in our trading portfolio.

Our available for sale investments included Rs. 127.93 billion (US$ 2.8 billion) of Government of India securities held for compliance with the liquidity ratio requirements. These are not included in the trading book analysis presented above.

The following table sets forth, for the period indicated, our fixed and floating rate assets and liabilities:

At September 30, 2006	Fixed	Floating	Total
		(in billions)	
Deposits and borrowings (including subordinated debt)	2,309.87	101.14	2,411.01
Advances and investments	1,558.14	825.81	2,383.95

Equity Risk

We assume equity risk both as part of our investment book and our trading book. On the investment book, investments in equity shares and preference shares are essentially long-term in nature. Nearly all the investment in equity securities have been driven by our project financing activities. The decision to invest in equity shares during project financing activities has been a conscious decision to participate in the equity of the company with the intention of realizing capital gains arising from the expected increases in market prices, and is separate from the lending decision.

Exchange Rate Risk

We offer foreign currency hedge instruments like swaps, forwards, and currency options to clients, which are primarily banks and highly rated corporate customers. We actively use cross currency swaps, forwards, and options to economically hedge against exchange risks arising out of these transactions. Trading activities in the foreign currency markets expose us to exchange rate risks. This risk is mitigated by setting counterparty limits, stipulating daily and cumulative stop-loss limits, and engaging in exception reporting.

The Reserve Bank of India has authorized the dealing of foreign currency-rupee options by banks for hedging foreign currency exposures including hedging of balance sheet exposures. We have been offering such products to corporate clients and other inter-bank counterparties and are one of the largest participants in the currency options market accounting for a significant share of daily trading volume. All the options are maintained within the specified limits.

In addition, foreign currency loans are made on terms that are similar to foreign currency borrowings, thereby transferring the foreign exchange risk to the borrower. In addition, there is an open foreign exchange position limit to minimize exchange rate risk.

Liquidity Risk

Liquidity risk arises in the funding of lending, trading and investment activities and in the management of trading positions. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is to be able, even under adverse conditions, to meet all liability repayments on time and fund all investment opportunities.

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the issuance of bonds. Loan maturities and sale of investments also provide liquidity. Most of the funds raised are used to extend loans or purchase securities. Generally, deposits have a shorter average maturity than loans or investments.

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI which generally had longer maturities, are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and bondholders, while also meeting the requirement of lending groups. From time to time, we may buy back some of our outstanding bonds, including the securities when issued, at our discretion in the open market or in privately negotiated transactions depending on market conditions, interest rates and other factors. We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management. Another source of liquidity risk is the put options written by us on the loans that we have securitized. These options are binding on us and require us to purchase, upon request of the holders, securities issued in such securitized transactions. The options seek to provide liquidity to the note holders. If exercised, we will be obligated to purchase the securities at the pre-determined exercise price. Under the Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain 25.0% of our total demand and time liabilities by way of approved securities, such as Government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of Government of India securities that we actively manage to optimize the yield and benefit from price movements. Under the Reserve Bank of India's cash reserve ratio requirements, we are currently required to maintain 5.0% of our demand and time liabilities in a current account with the Reserve Bank of India. In December 2006, the Reserve Bank of India announced an increase in the cash reserve ratio by 50 basis points from 5.0% to 5.5%. The increase is to be effective in two stages of 25 basis points each with the first stage effective from December 23, 2006 and the second stage effective from January 6, 2006.

We have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by the Reserve Bank of India. We maintain a substantial portfolio of liquid high quality securities that may be sold on an immediate basis to meet our liquidity needs. We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions have touched historical highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. The limit on daily borrowing is more stringent than the limit set by the Reserve Bank of India. ICICI Securities, like ICICI Bank, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates. We are required to submit gap analysis on a monthly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category. We prepare fortnightly maturity gap analysis to review our liquidity position. Static gap analysis is also supplemented by a dynamic analysis for the short-term, to enable the liability raising units to have a fair estimate of the short-term funding requirements. In addition, we also monitor certain liquidity ratios on a fortnightly basis.

Our bonds forming part of our Tier II capital are rated AAA by two Indian credit rating agencies, ICRA Limited and Credit Analysis & Research Limited. Our bonds forming part of our Upper Tier II capital and innovative perpetual debt instruments to be issued in India forming part of Tier I capital are rated AAA by two Indian credit rating agencies, CRISIL Limited and Credit Analysis & Research Limited. Our term deposits are rated AAA by ICRA Limited and Credit Analysis & Research Limited. Our certificate of deposits are rated A1+ by ICRA Limited and PR1+ by Credit Analysis & Research Limited. Our long-term foreign currency borrowings are rated Baa2 by Moody's Investors Service, BB+ by Standard and Poor's and BBB by Japan Credit Rating Agency Limited (JCRA). Our short-term foreign currency ratings are Ba2/Not Prime by Moody's Investors Service and B by Standard and Poor's. The outlook from Standard and Poor is positive while the outlook from both Moody's and JCRA is stable. Any downgrade in these credit ratings, or any adverse change in these ratings relative to other banks and financial intermediaries, could adversely impact our ability to raise resources to meet our funding requirements, which in turn could adversely impact our liquidity position.

In April 2003, unsubstantiated rumors, believed to have originated in Gujarat, alleged that we were facing liquidity problems, although our liquidity position was sound. We witnessed higher than normal deposit withdrawals during the period April 11 to 13, 2003, on account of these unsubstantiated rumors. We successfully controlled the situation, but if such situations were to arise in the future, any failure to control such situations could result in large deposit withdrawals, which would adversely impact our liquidity position.

Operational Risk

Operational risk is the risk of loss that can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors or from external causes. We are exposed to many types of operational risk. Our exposure to operational risk has increased following our rapid international expansion in recent years.

For a discussion on our vulnerability to operational risk, see "Risk Factors—Risks Relating to Our Business—There is operational risk associated with our industry which, when realized, may have an adverse impact on our business.", "Risk Factors—Risks Relating to Our Business—We have experienced rapid international growth in the last three years which has increased the complexity of the risks that we face." and Risk Factors—Risks Relating to Our Business—We are subject to legal and regulatory risk which may adversely affect our business."

Our operational risk management policy aims at minimizing losses and customer dissatisfaction due to failure in processes, focusing on flaws in products and their design that can expose the Bank to losses due to fraud, etc., analyzing the impact of failures in technology/systems and develop mitigants to minimize the impact and developing plans for external shocks that can adversely impact the continuity in the Bank's operations. Our approach to operational risk management is designed to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. Our new products and processes as well modifications to existing products and processes are approved by the Product and Process Approval Committee before launch. The committee consists of representatives of product, operations, legal, accounting, compliance and risk management groups. We follow a policy of centralizing a substantial portion of our operations related to various categories of products and services.

The compliance with internal processes and policies are regularly monitored through a comprehensive system of risk based internal audit. The audit findings are reported to the audit committee of the Board of Directors.

Operational Controls and Procedures in Branches

We have operating manuals detailing the procedures for the processing of various banking transactions and the operation of the application software. Amendments to these manuals are implemented through circulars sent to all offices. Compliance with the procedures is regularly monitored through measures of performance for various processes and a comprehensive internal audit mechanism.

We have a scheme of delegation of financial powers that sets out the monetary limit for each employee with respect to the processing of transactions in a customer's account. Withdrawals from customer accounts are controlled by dual authorization. Senior officers have been delegated power to authorize larger withdrawals. Our operating system validates the check number and balance before permitting withdrawals. Cash transactions over Rs. 1 million (US$ 21,763) are subject to special scrutiny to avoid money laundering. Our banking software has multiple security features to protect the integrity of applications and data.

Operational Controls and Procedures for Internet Banking

In order to open an Internet banking account, the customer has to first undergo all the processes related to opening of a regular savings account. The customer must provide us with documentation to prove the customer's identity and address, such as a copy of the customer's passport, a photograph and specimen signature of the customer. After verification of this documentation, we open the Internet banking account and issue the customer a user ID and password to access his account online.

Operational Controls and Procedures in Regional Processing Centers & Central Processing Centers

To improve customer service at our physical locations, we handle transaction processing centrally by taking away such operations from branches. We have centralized operations at regional processing centers located at 25 cities in the country. These regional processing centers process clearing checks and inter-branch transactions, make inter-city check collections, and engage in back-office activities for account opening, standing instructions and renewal of deposits.

In Mumbai, we have centralized transaction processing on a nation wide basis for transactions like the issue of ATM cards and PIN mailers, reconciliation of ATM transactions, monitoring of ATM functioning, issue of passwords to Internet banking customers, depositing postdated checks received from retail loan customers and credit card transaction processing. Centralized processing has been extended to the issuance of personalized check books, back-office activities of non-resident Indian accounts, opening of new bank accounts for customers who seek web brokering services and recovery of service charges for accounts for holding shares in book-entry form.

Operational Controls and Procedures in Treasury

We use technology to monitor risk limits and exposures. Our front office, back office and accounting and reconciliation functions are fully segregated in both the domestic treasury and foreign exchange treasury. The respective middle offices use various risk monitoring tools such as counterparty limits, position limits, exposure limits and individual dealer limits. Procedures for reporting breaches in limits are also in place.

Our front office treasury operations for rupee transactions consist of operations in fixed income securities, equity securities and inter-bank money markets. Our dealers analyze the market conditions and take views on price movements. Thereafter, they strike deals in conformity with various limits relating to counterparties, securities and brokers. The deals are then forwarded to the back office for settlement.

Trade strategies are discussed frequently and decisions are taken based on market forecasts, information and liquidity considerations. Trading operations are conducted in conformity with the code of conduct prescribed by internal and regulatory guidelines.

The Treasury Middle Office Group monitors counterparty limits, evaluates the mark-to-market impact on various positions taken by dealers and monitors market risk exposure of the investment portfolio and adherence to various market risk limits.

Our back office undertakes the settlement of funds and securities. The back office has procedures and controls for minimizing operational risks, including procedures with respect to deal confirmations with counterparties, verifying the authenticity of counterparty checks and securities, ensuring receipt of contract notes from brokers, monitoring receipt of interest and principal amounts on due dates, ensuring transfer of title in the case of purchases of securities, reconciling actual security holdings with the holdings pursuant to the records and reports any irregularity or shortcoming observed.

Operational Controls and Procedures in Retail Asset Operations

A majority of our retail asset operations are centralized at Mumbai, Delhi and Chennai. The central operations unit is located in Mumbai and the regional operations units at Delhi and Chennai. These central and regional units support operations relating to retail asset products across the country.

The central operations unit carries out accounting, reconciliation and repayment management activities for all retail asset products. The regional operations units manage disbursement of approved credit facilities. There are no manual issuances of disbursement cheques thus reducing any operational risk on account of manual intervention in the processes. No single team has the full authority to complete a transaction and carry out financial reconciliation. Each activity is segregated and carried out by an independent team.

All processes are hosted and controlled through a central process site. At the design stage of the process, all operational and other risks are identified, mitigants designed and measures of performance specified to ensure adherence. The retail asset operations group has regional audit managers across the country. These audit managers monitor adherence to controls and procedures and record and report deviations to facilitate corrective action.

Operational Controls and Procedures for Corporate Banking

Our operations in respect of corporate banking products and services are centralised at Mumbai. These centralised operations comprise separate operations teams for trade finance, cash management and general banking operations. The centralised operations teams process transactions after verification of credit authorisations, as well as applicable regulations, particularly in respect of international trade finance transactions. This unit also processes transactions for small enterprise customers.

Anti-money Laundering Controls

Our board of directors approved a group anti-money laundering policy in January 2004, which established the standards of anti-money laundering compliance. The group anti-money laundering policy was revised in December 2004 and in April 2006 in view of the requirements of the Reserve Bank of India guidelines, issued from time to time. The group anti-money laundering policy is applicable to all our activities. The unique anti-money laundering regulatory requirements for overseas units are provided separately as an addendum to the group anti-money laundering policy. Our anti-money laundering standards are primarily based on two pillars, namely, know your customer and monitoring/reporting of suspicious transactions. The group anti-money laundering policy specifies a risk-based approach in implementing the anti-money laundering framework. The strategic business units are required to undertake risk profiling of various customer segments and products, and to classify them into high, medium and low-risk categories. The anti-money laundering framework seeks to institute a process of customer identification and verification depending on the nature or status of the customer and the type of transaction. In respect of unusual or suspicious transactions or when the customer moves from a low-risk to high-risk profile, appropriate enhanced due-diligence measures are required to be adopted. The policy also requires that reports of specified cash transactions and suspicious transactions be submitted to the Financial Intelligence Unit, India (FIU-IND) constituted under the Prevention of Money Laundering Act, 2002 and the rules notified thereunder. The Audit Committee of our board of directors supervises the implementation of the anti-money laundering framework. A money laundering reporting officer has been designated to monitor the day-to-day implementation of the anti-money laundering policy and procedures. Our committee of directors has also approved a customer acceptance policy, product and customer-specific Know Your Customer procedures and appropriate transaction monitoring procedures. Suitable training programs on awareness of anti-money laundering are organized for the employees on a periodic basis.

Global risk management framework

We have adopted a global risk management framework for our international banking operations, including overseas branches, offshore banking units and subsidiaries. Under this framework, our credit, investment, asset liability management and anti-money laundering policies apply to all our overseas branches and offshore banking units, with modifications to meet local regulatory or business requirements. These modifications may be made only with the approval of our board of directors. All overseas banking subsidiaries are required to adopt risk management policy frameworks to be approved by their board of directors or an appropriate committee of their board of directors, based on applicable laws and regulations as well as our corporate governance and risk management framework. The overseas banking subsidiaries are required to adopt a process for formulation of policies which involves seeking the guidance and recommendations of the related groups in ICICI Bank.

The Compliance Group plays an oversight role in respect of regulatory compliance at the overseas branches and offshore banking units. Key risk indicators pertaining to our international banking operations are presented to the Risk Committee of our board of directors on a quarterly basis.

Audit

The Internal Audit Group undertakes a comprehensive audit of all business groups and other functions, in accordance with a risk-based audit plan. This plan allocates audit resources based on an assessment of the operational risks in the various businesses. The audit plan for every fiscal year is approved by the Audit Committee of our board of directors.

The Internal Audit Group also has a dedicated team responsible for information technology security audits. The annual audit plan covers various components of information technology including applications, databases, networks and operating systems.

The Reserve Bank of India requires banks to have a process of concurrent audits at branches handling large volumes, to cover a minimum of 50.0% of business volumes. We have a process of concurrent audits, using external accounting firms. Concurrent audits are also carried out at centralized and regional processing centers operations to ensure existence of and adherence to internal controls.

The Internal Audit Group has formed a separate International Banking Audit Group for audit of international branches, representative offices and subsidiaries.

Legal and Regulatory Risk

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. See "Risk Factors—Risks Relating to Our Business—We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our stockholders' equity and the price of our securities" and "—Regulatory changes or enforcement initiatives in India or any of the jurisdictions in which we operate may adversely affect our business and the price of our notes".

Derivative Instruments Risk

We enter into interest rate and currency derivative transactions primarily for the purpose of hedging interest rate and foreign exchange mismatches and also engage in trading of derivative instruments on our own account. We provide derivative services to selected major corporate customers and other domestic and international financial institutions, including foreign currency forward transactions and foreign currency and interest rate swaps. Our derivative transactions are subject to counterparty risk to the extent particular obligors are unable to make payment on contracts when due.

Risk management in key subsidiaries

ICICI Securities provides investment banking services, including corporate advisory, fixed income and equity services, to corporate customers. All investment banking mandates, including underwriting commitments, are approved by the Commitments Committee comprising the Managing Director and CEO and relevant group heads, of ICICI Securities. ICICI Securities is a primary dealer and has Government of India securities as a significant proportion of its portfolio. The Corporate Risk Management Group at ICICI Securities develops the risk management policies for the organization. The main objective of the group is to ensure adherence to best risk management practices to mitigate the risks, primarily credit and market risks, involved in the various businesses of the company. The group continuously develops and enhances its risk management and control procedures. Further, the Risk Management Committee is responsible for analyzing and monitoring the risks associated with the different business activities of ICICI Securities and ensuring adherence to the risk and investment limits approved by the board of directors.

ICICI Prudential Life Insurance is exposed to business risks arising out of the nature of products and underwriting, and market risk arising out of the investments made out of the corpus of premiums collected and the returns guaranteed to policyholders. The Risk Management and Audit Committee of its board of directors is responsible for oversight of the risk management and internal control functions. For managing investment risk, the company has a prudent investment strategy to optimize risk adjusted returns. Its asset-liability management framework is designed to cushion and mitigate the investment related risks of assets. The assets under management for the linked portfolio, in respect of which there is minimal asset-liability mismatch risk, amounts to over 83% of the policyholders' funds. As part of asset-liability management for the non-linked portfolio, ICICI Prudential Life Insurance has hedged the single premium non-participating portfolio by duration matching, rebalanced monthly. On the participating portfolio, the asset allocation strategy, which includes investments in equities, is designed to achieve the twin objectives of managing base guarantees and maximizing returns. The equity portfolio is benchmarked against a market index. In addition, there are exposure limits to companies, groups and industries. For mitigating operational risks, the management assesses and rates the various operational risks and prepares a mitigation plan. The internal audit department performs risk-based audit and reports the findings to the Audit Committee.

ICICI Lombard General Insurance is principally exposed to risks arising out of the nature of business underwritten and credit risk on its investment portfolio. In respect of business risk, ICICI Lombard General Insurance seeks to diversify its insurance portfolio across industry sectors and geographical regions. It focuses on corporate product segments that have historically experienced low loss ratios and retail product segments where risks are widely distributed. It also has the ability to reduce the risk retained on its own balance sheet by re-insuring a part of the risks underwritten. Its investments are governed by the investment policy approved by its board of directors within the norms stipulated by the Insurance Regulatory and Development Authority. The Investment Committee oversees the implementation of this policy and reviews it periodically. Exposure to any single entity is normally restricted to 5.0% of the portfolio and to any industry to 10.0% of the portfolio. Investments in debt instruments are generally restricted to instruments with a domestic credit rating of AA or higher.

Technology

We continue to endeavor to be at the forefront of usage of technology in the financial services sector. We strive to use information technology as a strategic tool for our business operations, to gain a competitive advantage and to improve our overall productivity and efficiency. Our technology initiatives are aimed at enhancing value, offering customers enhanced convenience and improved service while optimizing costs. Our focus on technology emphasizes:

- Electronic and online channels to:
  - offer easy access to our products and services;
  - reduce distribution and transaction costs;

- reach new target customers;
- enhance existing customer relationships; and
- reduce time to market.

- Application of information systems to:
  - manage our large scale of operations efficiently;
  - effectively market to our target customers;
  - monitor and control risks;
  - identify, assess and capitalize on market opportunities; and
  - assist in offering improved products to customers.

We also seek to leverage our domestic technology capabilities in our international operations.

Technology Organization

We have dedicated technology groups for our products and services for retail, corporate, international and rural customers. The Technology Management Group coordinates our enterprise-wide technology initiatives. Our shared services technology group provides the technology infrastructure platform across all business technology groups to gain synergies in operation. The business technology groups review the individual requirements of the various business groups while the technology management group aggregates the requirements of various business groups to ensure enterprise-wide consistency.

Banking Application Software

We use banking applications like a core banking system, loan management system and credit card management system that are flexible and scaleable and allow us to serve our growing customer base. A central stand-in server provides services all days of the week, throughout the year, to delivery channels. The server stores the latest customer account balances, which are continuously streamed from the core-banking database. We have a data center in Mumbai for centralized data base management, data storage and retrieval.

Electronic and Online Channels

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped the differentiation of our products in the marketplace. Our branch banking software is flexible and scaleable and integrates well with its electronic delivery channels. Our ATMs are sourced from some of the world's leading vendors. These ATMs work with the branch banking software. At September 30, 2006, we had 2,336 ATMs across India. We were one of the first banks to offer online banking facilities to our customers. We now offer a number of online banking services to our customers for both corporate and retail products and services. Our call centers employ approximately 4,238 workstations, across locations, at Mumbai, Thane and Hyderabad, which are operational round the clock. These telephone banking call centers use an Interactive Voice Response System. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete overview of the customer's relationship with us. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities.

We offer mobile banking services in India in line with our strategy to offer multi-channel access to our customers. This service has now been extended to all mobile telephone service providers across India and non-resident Indian customers in certain other countries where we have presence.

High-Speed Electronic Communications Infrastructure

We have a nationwide data communications network linking all our channels and offices. The network design is based on a mix of dedicated leased lines and satellite links to provide for reach and redundancy, which is imperative in a vast country like India. The communications network is monitored 24 hours a day using advanced network management software. We are moving towards multi protocol label switching (MPLS) as an alternative to lease lines, thus ensuring redundancy.

Operations relating to Commercial Banking for Corporate Customers

We have successfully centralized our corporate banking back office operations and rolled out a business process management solution to automate our activities in the areas of trade services and general banking operations. Through integration of the workflow system with the imaging and document management system, we have achieved substantial savings and practically eliminated the use of paper for these processes.

We have centralized the systems of the treasuries of all our international branches and subsidiaries. As a result, the processing of transactions as well as the applications used for deal entry are now centrally located and maintained out of India.

Customer Relationship Management

We have implemented a customer relationship management solution for automation of customer handling in all key retail products. The solution helps in tracking and timely resolution of various customer queries and issues. The solution has been deployed at the telephone banking call centers as well as a large number of branches.

Data Warehousing and Data Mining

We have a data warehouse for customer data aggregation. This data warehouse also provides a platform for data mining initiatives. We have implemented an Enterprise Application Integration initiative across our retail and corporate products and services, to link various products, delivery and channel systems. This initiative underpins our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It is also aimed to provide us with the valuable information to compile a unified customer view and creates various opportunities associated with cross-selling other financial products.

Data center and disaster recovery system

While our primary data center is located in Mumbai, a separate disaster recovery data center has been set up in another city and is connected to the main data center in Mumbai. The disaster recovery data center can host critical banking applications in the event of a disaster at the primary site.

Employees

At September 30, 2006, we had 30,784 employees, of whom 17,729 employees were professionals in business management, accountancy, engineering, law, computer science or economics. Management believes that it has a good relationship with its staff.

The financial services industry in India is undergoing unprecedented change as deregulation gains momentum. Moreover, changing customer needs and rapid advances in technology are continually re-defining the lines of innovation and competition, thereby providing us with new challenges and opportunities. To meet these challenges, we have relied extensively on our human capital, which we believe comprises some of the best talent in the industry.

We continue to attract the best graduates from the premier business schools of the country. We dedicate significant amount of senior management time to ensure that employees remain highly motivated and perceive the organization as a place where opportunities abound, innovation is fuelled, teamwork is valued and success is rewarded. Employee compensation is clearly tied to performance and we encourage the involvement of all our employees in our overall performance and profitability through profit sharing incentive schemes based largely on the financial results and other quantitative and qualitative factors. A performance management system has been implemented to assist management in career development and succession planning.

We have an employee stock option scheme to encourage and retain high performing employees. Pursuant to the employee stock option scheme as amended by the Scheme of Amalgamation and further amended in September 2004, up to 5.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock option entitles eligible employees to apply for equity shares. The grant of stock options is approved by our board of directors on the recommendations of the Board Governance and Remuneration Committee. The eligibility of each employee is determined based on an evaluation of the employee including employee's work performance, technical knowledge and leadership qualities. Moreover, we place considerable emphasis and value on our policy of encouraging internal communication and consultation between employees and management. See also "Management—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme."

We have training centers, where various training programs designed to meet the changing skill requirements of our employees are conducted. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training centers regularly offers courses conducted by faculty, both national and international, drawn from industry, academia and our own organization. Training programs are also conducted for developing functional as well as managerial skills. Products and operations training is also conducted through web-based training modules.

In addition to basic compensation, our employees are eligible to receive loans from us at subsidized rates and to participate in our provident fund and other employee benefit plans. The provident fund, to which both our employees and we contribute a defined amount, is a savings scheme, required by government regulation, under which we at present are required to pay to employees a minimum 8.5% annual return. If such return is not generated internally by the fund, we are liable for the difference. Our provident fund has generated sufficient funds internally to meet the minimum annual return requirement since inception of the funds. We have also set up a superannuation fund to which it contributes defined amounts. In addition, we contribute specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

Properties

Our registered office is located at Landmark, Race Course Circle, Vadodara 390 007, Gujarat, India. Our corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India.

We had a principal network consisting of 584 branches, 48 extension counters and 2,336 ATMs at September 30, 2006. These facilities are located throughout India. 38 of these facilities are located on properties owned by us, while the remaining facilities are located on leased properties. In addition to the branches, extension counters and ATMs, we have 18 controlling/administrative offices including the registered office at Vadodara and the corporate headquarters at Mumbai, 22 regional processing centers in various cities and one central processing center at Mumbai. We also have a branch each in Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong and Bahrain and one representative office each in the United States, China, United Arab Emirates, Bangladesh and South Africa. We also provide residential and holiday home facilities to employees at subsidized rates. We have 848 apartments for our employees.

Competition

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. We are the largest private sector bank in India and the second largest bank among all banks in the country, in terms of total assets, with total assets of Rs. 2,823.73 billion (US$ 61.5 billion) at September 30, 2006. We seek to gain competitive advantage over our competitors by offering innovative products and services, the use of technology, building customer relationships and developing a team of highly motivated and skilled employees. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Commercial banking products and services for retail customers

In the retail markets, competition is primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks have product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller branch network than Indian commercial banks. Foreign banks in aggregate had only 242 branches in India at June 30, 2006. Indian commercial banks have wide distribution networks but relatively less strong technology and marketing capabilities. We seek to compete in this market through a full product portfolio, effective distribution channels, which include agents, robust credit processes and collection mechanisms, experienced professionals and superior technology.

Commercial banks attract the majority of retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalize on our corporate relationships to gain individual customer accounts through payroll management products and will continue to pursue a multi-channel distribution strategy utilizing physical branches, ATMs, telephone banking call centers and the Internet to reach customers. Further, following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to customers of various ages and income profiles. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence, have increasingly become a viable alternative to bank deposits.

Commercial banking products and services for corporate customers

In products and services for corporate customers, we face strong competition primarily from public sector banks, foreign banks and other new private sector banks. Our principal competition in these products and services comes from public sector banks, which have built extensive branch networks that have enabled them to raise low-cost deposits and, as a result, price their loans and fee-based services very competitively. Their wide geographical reach facilitates the delivery of banking products to their corporate customers located in most parts of the country. We have been able, however, to compete effectively because of our efficient service and prompt turnaround times that we believe are significantly faster than public sector banks. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities.

Traditionally, foreign banks have been active in providing treasury-related products and services, trade finance, fee-based services and other short-term financing products to top tier Indian corporates. We effectively compete with foreign banks in cross-border trade finance as a result of our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and compete with foreign banks due to our technological edge and competitive pricing strategies. We leverage our balance sheet size, technology and our international presence to compete in treasury-related products and services.

Other new private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, we believe our size, capital base, strong corporate relationships, wider geographical reach and ability to use technology to provide innovative, value-added products and services provide us with a competitive edge.

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

Other business areas

Our international strategy is focused on India-linked opportunities in the initial stages. In our international operations, we face competition from Indian public sector banks with overseas operations, foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers like remittance services. We are seeking to position ourselves as an Indian bank offering globally-benchmarked products and services with an extensive distribution network in India to gain a competitive advantage. We seek to leverage our technology capabilities developed in our domestic business to offer convenient and efficient services to our international customers. We also seek to leverage our strong relationships with Indian corporates in our international business.

In our commercial banking operations for agricultural and rural customers, we face competition from the public sector banks that have large branch networks in rural India. Other private sector banks and non-bank finance companies also provide products and services in rural areas. We seek to compete in this business based on our comprehensive product strategy and multiple channels.

Our insurance and asset management joint ventures face competition from existing dominant public sector players as well as new private sector players. We believe that the key competitive strength of our insurance joint ventures is the combination of our experience in the Indian financial services industry with the global experience and skills of our joint venture partners. We believe that ICICI Prudential Life Insurance, ICICI Lombard General Insurance and Prudential ICICI Asset Management have built strong product, distribution and risk management capabilities, achieving market leadership positions in their respective businesses. ICICI Prudential Life Insurance had a retail market share of about 30% in new business written (on weighted received premium basis) by private sector life insurance companies from April to September 2006. ICICI Lombard General Insurance had a market share of over 35% among the private sector general insurance companies from April to September 2006. Prudential ICICI Asset Management Company was the second largest player in the Indian mutual fund industry at September 30, 2006 with a market share of over 10%.

Legal and Regulatory Proceedings

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. We are involved in a number of legal proceedings and regulatory relationships in the ordinary course of our business. However, excluding the legal proceedings discussed below, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

See also "Risk Factors—Risks Relating to Our Business—We are subject to legal and regulatory risk which may adversely affect our business and the price of our equity shares and ADSs", "—We have experienced rapid international growth in the last three years which has increased the complexity of the risks that we face," "—There is operational risk associated with our industry which, when realized, may have an adverse impact on our business," "—We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our stockholders' equity and the price of our equity shares and ADSs" and "—Regulatory changes or enforcement initiatives in India or other jurisdictions in which we operate could adversely affect our business and the price of our equity shares and ADSs."

At September 30, 2006, we had been assessed an aggregate of Rs. 36.79 billion (US$ 801 million) in excess of the provision made in our accounts, in income tax, interest tax, wealth tax and sales tax demands by the Government of India's tax authorities for past years. We have appealed each of these tax demands. Based on consultation with counsel and favorable judicial or appellate authority decisions in our own or other cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their income tax, interest tax, wealth tax and sales tax assessment and accordingly has not provided for these tax demands at September 30, 2006.

- We have received favorable decisions from the appellate authorities with respect to Rs. 1.45 billion (US$ 32 million) of the assessment. The income tax authorities have appealed these decisions to higher appellate authorities and the same are pending adjudication.
- In our appeal of assessment of sales tax aggregating to Rs. 480.12 million (US$ 10.45 million), we are relying on a favorable decision of the Supreme Court of India in respect of a writ petition filed by us and the facts of the case.
- In our appeal of assessments of income tax, interest tax and wealth tax aggregating to Rs. 34.86 billion (US$ 758.66 million), we are relying on favorable precedent decisions of the appellate court and expert opinions.
- Of the Rs. 36.79 billion (US$ 801 million), a major proportion relates to the disallowance of depreciation claim on leased assets. This is an industry wide issue involving multiple litigations across the country. In respect of depreciation claimed by us for fiscal 1993 on two sale and lease back transactions, the Income Tax Appellate Tribunal, Mumbai held in August 2003 that these transactions were tax planning tools and no depreciation was allowable. As the Income Tax Appellate Tribunal's decision is based on the facts of two specific transactions, we believe that the Income Tax Appellate Tribunal's decision will not have an adverse tax impact on other sale and lease back transactions entered into by us. The tax impact of this decision is Rs. 11 million (US$ 2,39,391). After the Tribunal decision, the Supreme Court has held that tax planning is valid if within the four corners of the law. Following the decision of Supreme Court, two High Courts have held that depreciation should be allowed on sale and lease back transactions. We have filed an appeal to the High Court against the adverse Income Tax Appellate Tribunal judgment which has been admitted and based on consultation with senior tax counsel and expert advice, we believe that we will receive a favorable decision in the matter. Moreover, the lease agreements provide for variation in the lease rental to offset any loss of depreciation benefit to us. Accordingly, we have not provided for this tax demand but have disclosed it as a contingent liability in the financial statements.

At December 15, 2006, there were 18 litigations (each involving a claim of Rs. 10.0 million and more) against us, in the aggregate amount of approximately Rs. 93.63 billion (US$ 2.0 billion) (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). At December 15, 2006, two litigations were pending against our directors in an aggregate amount of approximately Rs. 56.30 billion (US$ 1.2 billion) (to the extent quantifiable). The following are the litigations where amounts claimed from us are Rs. 1.00 billion (US$ 22 million) or higher:

- In 1999, ICICI filed a suit before the High Court of Judicature at Bombay against Mardia Chemicals Limited for recovery of amounts totaling Rs. 1.4 billion (US$ 31 million) due from Mardia Chemicals Limited. The suit was subsequently transferred to the Debt Recovery Tribunal, Mumbai. In 2002, we issued a notice to Mardia Chemicals Limited under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 (subsequently passed as an Act by the Indian Parliament) demanding payment of the outstanding dues. Subsequently, Mardia Chemicals Limited filed a suit in the city civil court at Ahmedabad against us, Mr. K.V. Kamath, Managing Director & CEO and Ms. Lalita D. Gupte, erstwhile Joint Managing Director, for an amount of Rs. 56.3 billion (US$ 1.2 billion) on the grounds that Mardia Chemicals Limited had allegedly suffered financial losses on account of ICICI's failure to provide adequate financial facilities, ICICI's recall of the advanced amount and ICICI's filing of a recovery action against it. The city civil court held that the suit should have been filed in the pending proceedings before the Debt Recovery Tribunal, Mumbai. Mardia Chemicals Limited filed an appeal before the High Court of Gujarat, which dismissed the appeal and ordered that the claim against us be filed before the Debt Recovery Tribunal, Mumbai and the claim against Mr. K.V. Kamath and Ms. Lalita D. Gupte be continued before the city civil court at Ahmedabad. The Debt Recovery Tribunal has admitted the counterclaim filed by Mardia Chemicals Limited. Subsequently, an order has been issued for the winding of Mardia Chemicals Limited and the judicial process for the same is being initiated. ICICI had filed a separate Recovery Application against the guarantors of Mardia Chemicals Limited, which is pending before the Debt Recovery Tribunal, Mumbai. We have filed our claim affidavit and original documents in the Debt Recovery Tribunal. Mardia Chemicals Limited's claim against Mr. K.V. Kamath and Ms. Lalita D. Gupte is still pending before the City Civil Court at Ahmedabad. However, since Mardia Chemicals Limited has been ordered to be wound up, it has to be now represented by the Official Liquidator

- In 2003, the promoters of Mardia Chemicals Limited in their capacity as guarantors of loans given by ICICI to Mardia Chemicals Limited filed a civil suit in the city civil court at Ahmedabad against us for an amount of Rs. 20.8 billion (US$ 453 million) on the grounds of loss of investment and loss of profit on investment. Pleadings under the above applications have concluded. The matter is posted for final hearing. The guarantors of Mardia Chemicals Limited have further filed a suit against Mr. K.V. Kamath and Ms. Lalita D. Gupte which is pending before the City Civil Court at Ahmedabad.
- In 2002, we filed a suit before the Debt Recovery Tribunal, Ahmedabad against Gujarat Telephone Cables Limited for recovery of term loans, debentures and working capital finance provided by us. We sold our exposure to Asset Reconstruction Company (India) Limited in 2004. The borrower has filed a suit in the Civil Court claiming damages of Rs. 10.02 billion (US$ 218 million) jointly and severally from State Bank of India, Bank of Baroda, United Western Bank, UTI Bank, Bank of India, Asset Reconstruction Company (India) Limited and us. We have filed an application for rejection of the plaint.
- In 1998, Industrial Finance Corporation of India along with ICICI and Life Insurance Corporation of India filed a suit in the Debt Recovery Tribunal, Delhi against Foremost Ceramics Limited and its guarantors for recovery of amounts owed. In 2001, a guarantor for the loan filed a counter-claim for an amount of Rs. 4.50 billion (US$ 98 million) against all lenders who had extended financial assistance to Foremost Ceramics Limited, on various grounds including that timely disbursements were not effected. Industrial Finance Corporation of India has filed its reply, which has been adopted by Life Insurance Corporation of India and us, denying these averments and stating that the counter-claim does not deny the fact of the guarantee and that the guarantor is merely trying to escape liability. The matter is posted for further arguments.
- In 1999, ICICI filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for recovery of amounts totaling Rs. 169 million (US$ 4 million) due from Esslon Synthetics. In May 2001, the guarantor filed a counter-claim for an amount of Rs. 1.0 billion (US$ 22 million) against ICICI and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. Esslon Synthetics Limited has filed an application to amend the counterclaim in January 2004. We have filed our reply to the application for amendment. The application has been partly heard and is listed for further arguments.

Management believes, based on consultation with counsel, that the legal proceedings instituted by each of Mardia Chemicals, Gujarat Telephone Cables Limited, Foremost Ceramics Limited and Esslon Synthetics against us are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or liquidity. Based on a review of other litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our financial position, results of operations or cashflows.

The Reserve Bank of India has issued a show-cause notice to us for non-compliance with extant foreign exchange regulations in relation to an External Commercial Borrowing facility advanced to a customer by our Singapore branch, on the grounds that such a facility could be provided only to companies engaged in activities classified as “real sector”, while the company concerned was in the retail sector. We have submitted our response to the show-cause notice stating that we understood that “retail sector” was within the definition of “real sector”. We also sought a personal hearing from the Reserve Bank of India, which has been granted. We are awaiting further communication from the Reserve Bank of India in this regard. See also “Risk factors—Risks relating to our business—We are subject to legal and regulatory risk which may adversely affect our business.”

In addition, we have experienced rapid international expansion into banking in multiple jurisdictions which exposes us to a new variety of regulatory and business challenges and risks, including cross-cultural risk, and which increased the complexity of our risks in a number of areas including currency risks, interest rate risks, compliance risk, regulatory risk, reputational risk and operational risk. As a result of this rapid growth and increased complexity, we or our employees may be subject to regulatory investigations or enforcement proceedings in multiple jurisdictions in a variety of contexts. Despite our best efforts at regulatory compliance and internal controls, we, or our employees, may from time to time, and as is common in the financial services industry, be the subject of confidential examinations or investigations that might, or might not, lead to proceedings against the Bank or its employees. In any such situation it would be our policy to conduct an internal investigation, cooperate with the regulatory authorities and, where appropriate, suspend or discipline employees, including termination of their services.

We cannot predict the timing or form of any future regulatory or law enforcement initiatives, which we note are increasingly common for international banks, but we would expect to cooperate with any such regulatory investigation or proceeding.

MANAGEMENT

Directors and Executive Officers

Our board of directors, consisting of 17 members at November 30, 2006, is responsible for the management of our business. Our organizational documents provide for a minimum of three directors and a maximum of 21 directors, excluding the government director and the debenture director (defined below), if any. We may, subject to the provisions of our organizational documents and the Companies Act, change the minimum or maximum number of directors by a resolution which is passed at a general meeting by a majority of the present and voting shareholders. In addition, under the Banking Regulation Act, the Reserve Bank of India may require us to convene a meeting of our shareholders for the purposes of appointing new directors to our board of directors.

The Banking Regulation Act requires that at least 51% of the directors should have special knowledge or practical experience in banking and areas relevant to banking including accounting, finance, agriculture and small scale industry. All of our directors are professionals with special knowledge of one or more of the above areas. Of the 17 directors, five are directors who are in our wholetime employment, or wholetime directors. The appointment of wholetime directors requires the approval of the Reserve Bank of India and the shareholders. Under the terms of the loan and guarantee facilities provided by the government of India to us, the government of India is entitled to appoint and has appointed one representative to our board, currently Mr. Vinod Rai. Of the remaining 11 independent directors, Mr. N. Vaghul is the non-executive chairman of our board, Mr. R.K. Joshi is the Chairman-cum-Managing Director of General Insurance Corporation of India and Mr. T.S. Vijayan is the Chairman of Life Insurance Corporation of India, which are among ICICI Bank's large institutional shareholders. One director is a consultant, one is a chartered accountant and business advisor, one is a professor of finance, one is a retired company executive, one is from a financial holding company with investments in insurance and investment management and three are from industrial companies (including agriculture-based industries). Of the 11 non-wholetime directors, three have specialized knowledge in respect of agriculture and rural economy or small-scale industry. The Reserve Bank of India has also prescribed 'fit and proper' criteria to be considered while appointing persons as directors of banking companies. Our directors are required to make declarations confirming their ongoing compliance of the 'fit and proper' criteria. Our board of directors has reviewed the declarations received from the directors in this regard and determined that all our directors satisfy the 'fit and proper' criteria.

Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of directors, excluding the government director and the debenture director, are subject to retirement by rotation. One-third of these directors must retire from office at each annual meeting of shareholders. A retiring director is eligible for re-election. Pursuant to the provisions of the Banking Regulation Act, none of the directors other than wholetime directors may hold office continuously for a period exceeding eight years. Pursuant to the Reserve Bank of India guidelines, a person would be eligible for appointment as director if he or she is between 35 and 70 years of age.

Our organizational documents also provide that we may execute trust deeds in respect of our debentures under which the trustee or trustees may appoint a director, known as the debenture director. The debenture director is not subject to retirement by rotation and may only be removed as provided in the relevant trust deed. Currently, there is no debenture director on our board of directors.

Our board of directors appointed Mr. R. K. Joshi, Chairman-cum-Managing Director, General Insurance Corporation of India and Mr. Narendra Murkumbi, founder Managing Director, Shree Renuka Sugars Limited as non-wholetime directors effective October 13, 2005 and January 20, 2006, respectively. The shareholders have approved their appointments at the annual general meeting held on July 22, 2006. Mr. Somesh Sathe who was appointed as a non-wholetime director effective January 29, 1998 retired from our board effective January 28, 2006, on completion of eight years as a non-wholetime director as provided in the Banking Regulation Act.

Mr. N. Vaghul was appointed as a director on March 27, 2002. He was appointed as non-wholetime chairman of the board effective May 3, 2002 for a period of three years. The board at its meeting on April 30, 2005 reappointed him as non-wholetime chairman of the board until April 30, 2009 which has been approved by the Reserve Bank of India.

Our board of directors had appointed Ms. Chanda Kochhar and Dr. Nachiket Mor as Executive Directors effective April 1, 2001, Mr. K.V. Kamath and Ms. Lalita D. Gupte, previously non-wholetime directors on our board, as Managing Director & CEO and Joint Managing Director respectively, effective May 3, 2002 and Ms. Kalpana Morparia as Executive Director, effective May 3, 2002. Our board subsequently re-appointed Ms. Lalita D. Gupte, whose tenure of appointment was until June 23, 2004, as Joint Managing Director until October 31, 2006. Ms. Gupte retired from the Bank effective November 1, 2006. Our board designated Ms. Kalpana Morparia as Deputy Managing Director effective February 1, 2004. Our board at its meeting held on April 29, 2006 elevated Ms. Kalpana Morparia as Joint Managing Director and Ms. Chanda Kochhar and Dr. Nachiket Mor as Deputy Managing Directors. The board and the shareholders have approved the following re-appointments with respect to the wholetime directors of the Bank:

- Mr. K. V. Kamath, Managing Director & CEO, on the expiry of his current term, i.e., from May 1, 2006, until April 30, 2009.
- Ms. Kalpana Morparia, Joint Managing Director, on the expiry of her current term, i.e., from May 1, 2006, until May 31, 2007 (up to the date of retirement).
- Ms. Chanda Kochhar and Dr. Nachiket Mor, Deputy Managing Directors, on the expiry of their current terms, i.e., from April 1, 2006, until March 31, 2011.

The Reserve Bank of India has approved the re-appointment of Mr. K. V. Kamath up to April 30, 2009, re-appointment of Ms. Kalpana Morparia up to May 31, 2007 and that of Ms. Chanda Kochhar and Dr. Nachiket Mor up to March 31, 2009 and of Ms. Kalpana Morparia up to May 31, 2007.

The Board at its Meeting held on October 24, 2006 appointed Mr. V. Vaidyanathan as the Executive Director of the Bank, effective October 24, 2006, for a period of five years i.e. up to October 23, 2011. His appointment is subject to the approval of the Reserve Bank of India and the Members of the Bank.

In order to comply with the provisions of the Companies Act and our organizational documents, Ms. Lalita D. Gupte and Ms. Kalpana Morparia and Mr. V. Vaidyanathan will be subject to retirement by rotation if at any time the number of non-rotational directors exceeds one-third of the total number of directors. If they are re-appointed as directors immediately upon retirement by rotation, they will continue to hold their offices as wholetime directors, and the retirement by rotation and re-appointment shall not be deemed to constitute a break in their appointment. Our other executive officers may hold office until they retire, unless they are discharged earlier by us.

Our board of directors at November 30, 2006 had the following members:

Name, Designation and Profession	Age	Date of Appointment	Other appointments
Mr. Narayanan Vaghul Chairman Chairman: Board Governance & Remuneration Committee Credit Committee Customer Service Committee (constituted on July 22, 2006) Risk Committee Profession: Development Banker	70	March 27, 2002	**Chairman** Asset Reconstruction Company (India) Limited GIVE Foundation Himatsingka Seide Limited ICICI Knowledge Park Mahindra World City Developers Limited (formerly Mahindra Industrial Park Limited) Pratham India Education Initiative **Director** Air India Limited Air India Air Transport Services Limited Air India Engineering Services Limited Apollo Hospitals Enterprise Limited Azim Premji Foundation Hemogenomics Private Limited Mahindra & Mahindra Limited Mittal Steel Company NV Mittal Steel Caribbean Nicholas Piramal India Limited Trans-India Acquisition Corporation Wipro Limited
Mr. Sridar Iyengar Chairman: Audit Committee Profession: Business Advisor	59	April 30, 2005	**Director** American India Foundation Foundation for Democratic Reforms in India Inc. Infosys Technologies Limited Kovair Software Inc. Mango Analytics Inc. Onmobile Asia Pacific Limited Progeon Limited Rediff.com India Limited Rediff Holdings Inc. TiE Inc.
Mr. Ram Kishore Joshi Chairman-cum-Managing Director Profession: Company Executive	59	October 13, 2005	**Chairman-cum-Managing Director** General Insurance Corporation of India **Chairman** GIC Asset Management Company Limited GIC Housing Finance Limited Loss Prevention Association of India Limited **Director** Deposit Insurance and Credit Guarantee Corporation Export Credit Guarantee Corporation of India Limited Indian Register of Shipping Kenindia Assurance Company Limited Life Insurance Corporation of India The Andhra Pradesh Paper Mills Limited The New India Assurance Company Limited

Name, Designation and Profession	Age	Date of Appointment	Other appointments
Mr. Lakshmi Niwas Mittal Profession: Industrialist	56	May 3, 2002	**Chairman** Mittal Steel Company N.V. **CEO** Arcelor Mittal **Director** Artha Limited Galmatias Limited LNM Capital Limited LNM Internet Ventures Limited Lucre Limited Mittal Steel Company Limited Mittal Steel South Africa Limited Mittal Steel USA Inc. Nestor Limited Nuav Limited ONGC Mittal Energy Limited ONGC Mittal Energy Services Limited Pratham UK Limited Tommyfield Limited President Ispat Inland U.L.C
Mr. Narendra Murkumbi Profession: Industrialist	36	January 20, 2006	**Managing Director** Shree Renuka Sugars Limited **Director** Murkumbi Bioagro Private Limited Murkumbi Industries Private Limited **Director & CEO** Renuka Commodities DMCC
Mr. Anupam Pradip Puri Profession: Management Consultant	61	May 3, 2002	**Director** Dr. Reddy's Laboratories Limited Mahindra & Mahindra Limited Tech Mahindra Limited (formerly Mahindra British Telecom Limited)
Mr. Vinod Rai Additional Special Secretary (Financial Sector) Ministry of Finance, Government of India Profession: Government Service	58	January 3, 2003	**Director** Bank of Baroda IDBI Limited Indian Infrastructure Finance Company Limited Infrastructure Development Finance Company Limited Small Industries Development Bank of India
Mr. Mahendra Kumar Sharma Chairman: Fraud Monitoring Committee Share Transfer & Shareholders'/ Investors' Grievance Committee Alternate Chairman: Audit Committee Profession: Company Executive	59	January 31, 2003	**Vice-Chairman and wholetime Director** Hindustan Lever Limited **Director** Hind Lever Trust Limited Lever Associated Trust Limited Unilever India Exports Limited (formerly Indexport Limited) Unilever Nepal Limited (formerly Nepal Lever Limited)

Name, Designation and Profession	Age	Date of Appointment	Other appointments
Mr. Priya Mohan Sinha Profession: Professional Manager	66	January 22, 2002	**Chairman** Bata India Limited **Director** Azim Premji Foundation Indian Oil Corporation Limited Lafarge India Private Limited Wipro Limited
Prof. Marti Gurunath Subrahmanyam Profession: Professor	60	May 3, 2002	**Director** Infosys Technologies Limited International School of Business Management Limited Nomura Asset Management (U.S.A.), Inc. Supply Chainge Inc. The Animi Offshore Fund Limited The Animi Offshore Concentrated Risk Fund Usha Communication Inc. **Director—Board of Governors** National Institute of Securities Markets **Director—Advisory Board** Metahelix Life Sciences Private Limited Microcredit Foundation of India
Mr. T.S. Vijayan Profession: Company Executive	53	April 30, 2005	**Chairman** Life Insurance Corporation of India Non-Executive Chairman LIC Housing Finance Limited LIC Mutual Fund Asset Management Company Limited (formerly Jeevan Bima Sahyog Asset Management Company Limited LIC International B.S.C (C) LIC (Nepal) Limited LIC (Lanka) Limited LIC (Mauritius) Offshore Limited **Director** General Insurance Corporation of India Kenindia Assurance Company Limited National Commodities & Derivatives Exchange Limited
Mr. V. Prem Watsa Profession: Company Executive	56	January 29, 2004	**Chairman & CEO** Fairfax Financial Holdings Limited **Chairman** Crum & Foster Holdings Corp. Northbridge Financial Corporation TIG Holdings, Inc. **Director** Lindsey Morden Group Inc. Odyssey Re Holdings Corp.

Name, Designation and Profession	Age	Date of Appointment	Other appointments
Mr. Kundapur Vaman Kamath Managing Director & CEO Chairman: Committee of Directors Profession: Company Executive	59	April 17, 1996 (Managing Director & CEO effective May 3, 2002)	**Chairman** ICICI Bank Canada ICICI Bank UK Plc ICICI Lombard General Insurance Company Limited ICICI Prudential Life Insurance Company Limited ICICI Securities Limited Prudential ICICI Asset Management Company **Limited Director** Indian Institute of Management, Ahmedabad Visa International Asia Pacific Regional Board **Member—Governing Board** Indian School of Business
Ms. Kalpana Morparia Joint Managing Director Profession: Company Executive	57	May 3, 2002	**Director** ICICI Lombard General Insurance Company Limited ICICI Prudential Life Insurance Company Limited ICICI Securities Limited Prudential ICICI Asset Management Company Limited
Ms. Chanda Kochhar Deputy Managing Director Profession: Company Executive	45	April 1, 2001	**Chairperson** ICICI Bank Eurasia Limited Liability Company ICICI Investment Management Company Limited ICICI Home Finance Company Limited **Director** ICICI Prudential Life Insurance Company Limited ICICI Bank Canada ICICI Bank UK Plc
Dr. Nachiket Mor Deputy Managing Director Profession: Company Executive	42	April 1, 2001	**Director** Care, USA ICICI Home Finance Company Limited ICICI Knowledge Park ICICI Securities Limited ICICI Venture Funds Management Company Limited Pratham India Education Initiative
Mr. V. Vaidyanathan Executive Director Profession: Company Executive	38	October 24, 2006	**Director:** ICICI Home Finance Company Limited ICICI Lombard General Insurance Company Limited

Our executive officers at November 30, 2006 were as follows:

Name	Age	Designation and Responsibilities	Years of work experience	Total remuneration in fiscal 2006(1) (in Rupees)	Bonus for fiscal 2006(2) (in Rupees)	Stock options granted in fiscal 2006(4)	Stock options granted in fiscal 2007(6)	Share-holdings September 30, 2006(3)	Total stock options granted through September 30, 2006(5)	Total stock options outstanding at September 30, 2006(5)
Mr. K.V. Kamath	58	Managing Director & CEO	35	19,564,981	5,215,200	250,000	250,000	164,500	1,275,000	1,090,000
Ms. Kalpana Morparia	57	Joint Managing Director—Corporate Centre	31	10,511,539	3,180,000	150,000	165,000	21,190	805,000	785,000
Ms. Chanda D. Kochhar	44	Deputy Managing Director—International & Corporate Banking	22	9,003,983	2,385,000	125,000	125,000	176,575	630,000	402,500
Dr. Nachiket Mor	42	Deputy Managing Director—Rural Banking & Proprietary Trading	19	7,389,013	2,385,000	125,000	125,000	0	627,000	360,000
Mr.V. Vaidyanathan	38	Executive Director—Retail Banking	16	6,172,241	2,760,000	75,000	75,000	32,710	334,900	211,250
Ms. Vishakha Mulye	37	Chief Financial Officer and Treasurer	13	4,330,531	2,400,000	75,000	75,000	34,555	285,975	234,920
Ms. Madhabi Puri-Buch	40	Senior General Manager	17	5,054,338	2,760,000	75,000	75,000	1,411	354,900	297,450
Mr. K. Ramkumar	45	Senior General Manager	21	4,999,981	2,640,000	75,000	75,000	0	255,000	222,000
Mr. Pravir Vohra	52	Senior General Manager	31	4,964,145	2,400,000	37,500	40,000	21,000	179,500	135,500

(1) Including ICICI Bank's contribution to the superannuation fund, provident fund and leave travel allowance and excluding bonus payable for fiscal 2005 which was paid in fiscal 2006. Includes aggregate leave travel allowance availed during the year: K.V. Kamath—Rs. 2,050,000 (US$ 44,614), Lalita D. Gupte—Rs. 4,050,000 (US$ 88,139), Kalpana Morparia—Rs. 1,250,000 (US$ 27,251), Chanda D. Kochhar—Rs. 2,187,500 (US$ 47,606), Nachiket Mor—Rs. Nil (US$ Nil) and all other executive officers Rs. 2,500,000 (US$ 54,407) and leave encashment: K.V. Kamath—Rs. 1,230,000 (US$ 26,768), Lalita D. Gupte—Rs. 676,500 (US$ 14,723), Kalpana Morparia—Rs. 550,000 (US$ 11,970) and Chanda D. Kochhar—Rs. 12,500 (US$ 272), Nachiket Mor—Rs. Nil (US$ Nil) and all other executive officers Rs. 429,332 (US$ 9,343).

(2) Bonus for fiscal 2006 was paid in fiscal 2007.

(3) Executive officers and directors as a group held around 0.5% of ICICI Bank's equity shares as of this date.

(4) Each stock option, once exercised, is equivalent to one equity share of ICICI Bank. ICICI Bank granted these stock options to its executive officers at no cost. See "—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme" for a description of the other terms of these stock options.

(5) In accordance with the Scheme of Amalgamation, directors and employees of ICICI have received stock options in ICICI Bank equal to half the number of the outstanding unexercised stock options they held in ICICI with the exercise price of these options being equal to twice the exercise price for the ICICI stock options exchanged. The stock options mentioned above include ICICI stock options converted into ICICI Bank stock options on this basis.

(6) Through September 30, 2006.

Mr. K.V. Kamath is a mechanical engineer and a post-graduate in business management from the Indian Institute of Management, Ahmedabad. He joined ICICI in 1971 and worked in the areas of project finance, leasing, resources and corporate planning. In 1988, he left ICICI to join the Asian Development Bank, where he worked for six years. In January 1995, he joined a private sector group in Indonesia as advisor to its chairman. Mr. Kamath joined the board of directors of ICICI in October 1995. He was appointed Managing Director & CEO of ICICI in May 1996 and was re-appointed in May 2001. Mr. Kamath was a non-wholetime director on the board of ICICI Bank from April 1996. Effective May 3, 2002 our board appointed Mr. Kamath as Managing Director & CEO. Our board, shareholders and the Reserve Bank of India have approved his re-appointment as Managing Director & CEO until April 30, 2009.

Ms. Kalpana Morparia holds Bachelor's degrees in science and law. She worked in the legal department of ICICI from 1975 to 1994. From 1996, when she was designated as General Manager, she was in charge of the legal, planning, treasury and corporate communications departments. In 1998, she was designated a Senior General Manager of ICICI. She joined the board of directors of ICICI in May 2001. Effective May 3, 2002 our board appointed Ms. Morparia as an Executive Director. Effective

February 1, 2004, our board designated her as Deputy Managing Director. Effective April 29, 2006, our board elevated her as Joint Managing Director. She is currently in charge of the Corporate Centre which includes transaction processing and operations for wholesale, retail, rural and international banking, strategy, risk management, compliance, audit, legal, finance, treasury, secretarial, human resources management, corporate communications and facilities management and administration functions. Our board, shareholders and the Reserve Bank of India have approved her re-appointment as a wholetime director until May 31, 2007

Ms. Chanda D. Kochhar holds a management degree from the Jamnalal Bajaj Institute of Management Studies, Mumbai and a degree in cost and works accountancy from the Institute of Cost and Works Accountants of India. She started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate credit, infrastructure financing, e-commerce, strategy and retail finance. Ms. Kochhar was designated a Senior General Manager of ICICI in 2000 and was in charge of its retail business over the past six years. She was appointed to our board as an Executive Director in April 2001. Effective April 29, 2006, our board elevated her as Deputy Managing Director. She is currently responsible for retail and corporate banking. Our board and shareholders have approved her re-appointment as a wholetime director until March 31, 2011 on the expiry of her current term of appointment on March 31, 2006. The Reserve Bank of India has approved her re-appointment up to March 31, 2009.

Dr. Nachiket Mor holds a post-graduate diploma in finance management from the Indian Institute of Management, Ahmedabad and a Doctorate of Philosophy in Financial Economics from the University of Pennsylvania, Philadelphia, USA. He started his career as an officer in the corporate planning and policy cell of ICICI in 1987. He has worked in the areas of project and corporate finance, corporate planning and treasury. Dr. Mor was designated a Senior General Manager of ICICI in 2000 and was in charge of treasury. He was appointed to our board of directors as an Executive Director in April 2001. Effective April 29, 2006, our board elevated him as Deputy Managing Director. He is currently responsible for rural banking, government banking, structural rate risk management and proprietary trading. Our board and shareholders have approved his re-appointment as a wholetime director until March 31, 2011 on the expiry of his current term of appointment on March 31, 2006. The Reserve Bank of India has approved his re-appointment up to March 31, 2009.

Mr. V. Vaidyanathan has Bachelor's and Master's degrees in business administration from the Birla Institute of Technology & Science, Ranchi. He worked in Citibank N.A. before joining ICICI in 2000 in the personal financial services division. In 2003 he was designated a Senior General Manager of ICICI Bank. Currently, he is responsible for retail banking.

Mr. K. Ramkumar is a science graduate from Madras University with post-graduate diploma in industrial relations and labor laws. He worked with ICI India before joining ICICI in 2001 in the human resources department. In 2004, he was designated as Senior General Manager of ICICI Bank and he is currently in charge of human resources management, facilities management and administration and retail infrastructure.

Ms. Madhabi Puri-Buch is a graduate in mathematical economics and has a post-graduate degree in management from the Indian Institute of Management, Ahmedabad. She joined ICICI in 1989 in the project finance department. She left ICICI in 1992 and worked in ANZ Grindlays Bank and ORG MARG Research before joining ICICI again in January 1997 in the planning and treasury department. In 2003 she was designated a Senior General Manager of ICICI Bank. Currently, she is responsible for operations and service delivery and the corporate brand management function.

Mr. Pravir Vohra is a post-graduate in economics from Delhi University. He was Joint President in 3i Infotech Limited (formerly ICICI Infotech Limited) before he joined ICICI Bank in 2002. He was designated as Senior General Manager in 2005 and he is currently in charge of technology.

Ms. Vishakha Mulye is a commerce graduate from Mumbai University, and a chartered accountant. Ms. Mulye joined ICICI in 1993 in the project finance department. She was designated as Senior General Manager in 2004. Currently she is our Chief Financial Officer and Treasurer.

Corporate Governance

Our corporate governance policies recognize the accountability of the board and the importance of making the board transparent to all its constituents, including employees, customers, investors and the regulatory authorities, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a majority of independent directors and chaired by an independent director, to oversee critical areas and functions of executive management.

Our corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

Our board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of our board include:

- approving corporate philosophy and mission;
- participating in the formulation of strategic and business plans;
- reviewing and approving financial plans and budgets;
- monitoring corporate performance against strategic and business plans, including overseeing operations;
- ensuring ethical behavior and compliance with laws and regulations;
- reviewing and approving borrowing limits;
- formulating exposure limits; and
- keeping shareholders informed regarding plans, strategies and performance.

To enable our board of directors to discharge these responsibilities effectively, executive management gives detailed reports on our performance to the board on a quarterly basis.

Our board functions either as a full board or through various committees constituted to oversee specific operational areas. These board committees meet regularly. The constitution and main functions of the various committees are given below

In view of similarity of powers and functions of the Agriculture & Small Enterprises Business Committee and Credit Committee, Agriculture & Small Enterprises Business Committee was dissolved effective October 13, 2005 and the powers of the Agriculture & Small Enterprises Business Committee were vested in the Credit Committee. Further, as the Bank's budget and other strategic issues were being reviewed directly by the Board, the Business Strategy Committee was dissolved with effect from April 29, 2006. Further, a separate Customer Service Committee was constituted by the Board at its Meeting held on July 22, 2006 and the powers relating to customer service (which earlier vested with the Audit Committee and subsequently the Risk Committee) have been delegated to this Committee.

Audit Committee

The Audit Committee comprises three independent directors—Mr. Sridar Iyengar, who is a Chartered Accountant, Mr. M.K. Sharma and Mr. Narendra Murkumbi. Mr. Sridar Iyengar is the Chairman of the Committee. Mr. M.K. Sharma was appointed as Alternate Chairman of the Committee effective July 22, 2004. Our board of directors has determined that Mr. Sridar Iyengar qualifies as an audit committee financial expert.

The Audit Committee provides direction to the audit function and monitors the quality of the internal and statutory audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors and chief internal auditor and fixation of their remuneration, approval of payment to statutory auditors for other services rendered by them, review of functioning of Whistle Blower Policy, review of the quarterly financial statements before submission to Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with the inspection and audit reports and reports of statutory auditors, review of the findings of internal investigations, review of statement of significant related party transactions, review of management letters/letter of internal control weaknesses issued by statutory auditors, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Audit Committee provides direction to the internal audit function and monitors the quality of internal and statutory audit.

In addition, as required by Rule 10A-3 under the Exchange Act, the Audit Committee is empowered to appoint and oversee the work of any registered public accounting firm, establish procedures for the receipt and treatment of complaints regarding accounting and auditing matters, engage independent counsel and provide for appropriate funding for compensation to be paid to any advisors.

All audit and non-audit services to be provided by our principal accountants are pre-approved by the Audit Committee before such services are provided to us.

Board Governance & Remuneration Committee

The Board Governance & Remuneration Committee comprises five independent directors—Mr. N. Vaghul, Mr. Anupam Puri, Mr. M.K. Sharma, Mr. P. M. Sinha, and Prof Marti G. Subrahmanyam. Mr. N. Vaghul is the Chairman of the Committee.

The functions of the Board Governance & Remuneration Committee include recommendation of appointments to our board, evaluation of the performance of the Managing Director & CEO and other wholetime Directors on pre-determined parameters, recommendation to our board of the remuneration (including performance bonuses and perquisites) to wholetime directors, approving the policy for and quantum of bonus payable to the members of the staff, framing guidelines for the employees stock option scheme and recommendation of grant of stock options to the staff and wholetime directors of ICICI Bank and its subsidiary companies.

Credit Committee

The Credit Committee comprises five directors—Mr. N. Vaghul, Mr. Narendra Murkumbi Mr. M. K. Sharma, Mr. P. M. Sinha and Mr. K. V. Kamath. The majority of the members of the committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee.

The functions of this Committee include review of developments in key industrial sectors and approval of credit proposals in accordance with the authorization approved by our board. The functions of this Committee also include review of our business strategy in the agri-business and small enterprises segments and review of the quality of the agricultural lending and small enterprises finance credit portfolio.

Customer Service Committee

The Customer Service Committee comprises five directors—Mr. N. Vaghul, Mr. Narendra Murkumbi, Mr. M. K. Sharma, Mr. P. M. Sinha and Mr. K. V. Kamath. The majority of the members of the committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee.

The functions of this Committee include review of customer service initiatives and overseeing the functioning of the Customer Service Council.

Fraud Monitoring Committee

The Committee comprises five directors—Mr. M.K. Sharma, Mr. Narendra Murkumbi, Mr. K.V. Kamath, Ms. Kalpana Morparia and Ms. Chanda D. Kochhar. Mr. M.K. Sharma is the Chairman of the Committee.

The functions of the Fraud Monitoring Committee include monitoring and review of all instances of frauds involving Rs.10.0 million (US$ 218,007) and above.

Risk Committee

The Risk Committee comprises five directors—Mr. N. Vaghul, Mr. Sridar Iyengar, Prof. Marti G. Subrahmanyam, Mr. V. Prem Watsa and Mr. K. V. Kamath. The majority of the members of this committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee.

This Committee reviews risk management policies in relation to various risks (credit, portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy and regulatory and compliance issues in relation thereto.

Share Transfer & Shareholders'/Investors' Grievance Committee

The Share Transfer & Shareholders'/Investors' Grievance Committee comprises four directors—Mr. M.K. Sharma, Mr. Narendra Murkumbi, Ms. Kalpana Morparia and Ms. Chanda D. Kochhar. Mr. M.K. Sharma, an independent director, is the Chairman of the Committee.

The functions and powers of the Share Transfer & Shareholders'/Investors' Grievance Committee include approval and rejection of transfer or transmission of equity and preference shares, bonds, debentures and securities, issue of duplicate certificates, allotment of shares and securities issued from time to time, including those under stock options, review and redressal of shareholders' and investors' complaints, delegation of authority for opening and operation of bank accounts for payment of interest, dividend and redemption of securities and the listing of securities on stock exchanges.

Committee of Directors

The Committee of Directors comprises all five wholetime directors and Mr. K.V. Kamath, Managing Director & CEO is the Chairman of the Committee.

The powers of the Committee include credit approvals as per authorization approved by our board, approvals in respect of borrowing and treasury operations and premises and property related matters and review of performance against targets for various business groups.

Asset-Liability Management Committee

The Asset Liability Management Committee comprises the Joint Managing Directors and Deputy Managing Directors and Ms. Lalita D. Gupte Kalpana Morparia, Joint Managing Director is the Chairperson of the Committee.

The functions of the Committee include management of our balance sheet, review of the asset-liability profile with a view to manage the market risk exposure assumed by us and deciding our deposit rates and prime lending rate.

Compensation and Benefits to Directors and Officers

Remuneration

Under our organizational documents, each non-wholetime director, except the government director, is entitled to receive remuneration for attending each meeting of our board or of a board committee. The amount of remuneration payable to non-wholetime directors is set by our board from time to time in accordance with limitations prescribed by the Indian Companies Act or the government of India. The remuneration for attending each board or committee meeting is currently fixed at Rs. 20,000 (US$ 436). In addition, ICICI Bank reimburses directors for travel and related expenses in connection with board and committee meetings and related matters. If a director is required to perform services for ICICI Bank beyond attending meetings, ICICI Bank may remunerate the director as determined by our board of directors and this remuneration may be either in addition to or as substitution for the remuneration discussed above. We have not paid any remuneration to non-wholetime directors other than the remuneration for attending each meeting of our board or of a board committee. Non-wholetime directors are not entitled to the payment of any benefits at the end of their term of office.

Our board or any committee thereof may fix within the range stated below, the salary payable to the wholetime directors.

Mr. K.V. Kamath, Managing Director & CEO	Rs. 600,000 – Rs. 1,050,000 (US$ 13,058 to US$ 22,851) per month
Ms. Lalita D. Gupte, Joint Managing Director	Rs. 400,000 – Rs. 900,000 (US$ 8,705 to US$ 19,587) per month
Ms. Kalpana Morparia, Joint Managing Director	Rs. 300,000 – Rs. 900,000 (US$ 6,529 to US$ 19,587) per month
Ms. Chanda D. Kochhar, Deputy Managing Director	Rs. 200,000 – Rs. 500,000 (US$ 4,353 to US$ 10,881) per month
Dr. Nachiket Mor, Deputy Managing Director	Rs. 200,000 – Rs. 500,000 (US$ 4,353 to US$ 10,881) per month
Mr. V. Vaidyanathan, Executive Director	Rs. 200,000 – Rs. 500,000 (US$ 4,353 to US$ 10,881) per month

We are required to obtain specific approval of the Reserve Bank of India for the actual monthly salary and performance bonus paid each year to the wholetime directors. The Reserve Bank of India has approved the payment of performance bonus to our wholetime directors for fiscal 2006 and the monthly salary payable for fiscal 2007. None of the service contracts with our directors provide for benefits upon termination of engagement. The remuneration payable to Mr. Vaidyanathan is subject to the approval of the Reserve Bank of India and our shareholders.

The wholetime directors are entitled to perquisites (evaluated pursuant to Indian Income-Tax Rules, wherever applicable, and otherwise at actual cost to ICICI Bank), such as furnished accommodation, gas, electricity, water and furnishings, club fees, personal insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, payment of income-tax on perquisites by ICICI Bank to the extent permissible under the Indian Income-tax Act, 1961 and the Rules framed thereunder, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund, gratuity and other retirement benefits, in accordance with the scheme(s) and rule(s) applicable to employees of ICICI Bank from time to time.

Where accommodation is not provided, each of the wholetime directors is eligible for a house rent allowance of Rs. 50,000 (US$ 1,090) per month and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by ICICI Bank.

Employee Stock Option Scheme

On January 24, 2000, our board approved an employee stock option scheme to attract, encourage and retain high performing employees. Our shareholders approved this scheme at the extraordinary general meeting on February 21, 2000. This scheme was drafted in accordance with guidelines issued by the Securities and Exchange Board of India. Under this scheme, up to 5.0% of our issued equity shares at March 31, 2000 could be allocated to employee stock options. The employee stock option scheme as amended by the Scheme of Amalgamation restricted the maximum number of options granted to any eligible employee (as defined below) in a year is limited to 0.05% of our issued equity shares at the time of the grant, and the aggregate of all such options to 5.0% of our issued equity shares following the amalgamation. In April 2004, our board approved the recommendation of the Board Governance & Remuneration Committee to modify the limit of the aggregate number of options that could be granted under the employee stock option scheme to 5.0% of our issued capital as on the date of grant. The shareholders approved the modification at our annual general meeting held on September 20, 2004.

Under the stock option scheme, eligible employees are entitled to apply for equity shares. An eligible employee is a permanent employee or a director of ICICI Bank or of its subsidiaries or its holding company. ICICI Bank has no holding company.

The options granted for fiscal 2003 and earlier vest annually in a graded manner over a three-year period, with 20.0%, 30.0% and 50.0% of the grants vesting each year, commencing not earlier than 12 months from the date of grant. Options granted for fiscal 2004 and thereafter vest in a graded manner over a four-year period with 20.0%, 20.0%, 30.0% and 30.0% of grants vesting each year, commencing from the end of 12 months from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later.

The exercise price for options granted prior to June 30, 2003 is equal to the market price of our equity shares on the date of grant on the stock exchange, which recorded the highest trading volume on the date of grant. On June 30, 2003, the Securities and Exchange Board of India revised its guidelines on employee stock options. While the revised guidelines provided that companies were free to determine the exercise price of stock options granted by them, they prescribed accounting rules and other disclosures, including expensing of stock options in the income statement, which are applicable to our Indian GAAP financial statements, in the event the exercise price was not equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. Effective July 22, 2004, the Securities and Exchange Board of India revised this basis of pricing to the latest available closing price, prior to the date of the meeting of the board of directors in which options are granted, on the stock exchange which recorded the highest trading volume on that date. The exercise price for options granted by ICICI Bank on or after June 30, 2003, but before July 22, 2004 is equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. The exercise price of options granted on or after July 22, 2004 is equal to the closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options.

The following table sets forth certain information regarding the stock option grants ICICI Bank has made under its employee stock option scheme. ICICI Bank granted all of these stock options at no cost to its employees. ICICI Bank has not granted any stock options to its non-wholetime directors.

Date of grant	Number of options granted	Exercise price	
February 21, 2000	1,713,000	Rs.171.90	US$ 3.74
April 26, 2001	1,580,200	170.00	3.70
March 27, 2002	3,155,000	120.35	2.62
April 25, 2003	7,338,300	132.05	2.87
July 25, 2003	147,500	157.03	3.42
October 31, 2003	6,000	222.40	4.84
April 30, 2004	7,539,500	300.10	6.53
September 20, 2004	15,000	275.20	6.00
April 30, 2005	4,906,180	359.95	7.83
August 20, 2005	70,600	498.20	10.84
January 20, 2006	5,000	569.55	12.39
April 29,2006	6,267,400	576.80	12.55

ICICI also had an employee stock option scheme for its directors and employees and the directors and employees of its subsidiary companies, the terms of which were substantially similar to the employee stock option scheme of ICICI Bank. The following table sets forth certain information regarding the stock option grants made by ICICI under its employee stock option scheme prior to the amalgamation. ICICI granted all of these stock options at no cost to its employees. ICICI had not granted any stock options to its non-wholetime directors.

Date of grant	Number of options granted	Exercise price	
August 3, 1999	2,323,750	Rs. 85.55	US$1.86
April 28, 2000	2,902,500	133.40	2.90
November 14, 2000	20,000	82.90	1.80
May 3, 2001	3,145,000	82.00	1.78
August 13, 2001	60,000	52.50	1.14
March 27, 2002	6,473,700	60.25	1.31

(1) The exercise price is equal to the market price of ICICI's equity shares on the date of grant. However, the share options granted on August 3, 1999 were accounted as a variable plan resulting in a compensation cost of Rs. 97 million (US$ 2 million) which is being amortized over the vesting period.

In accordance with the Scheme of Amalgamation, directors and employees of ICICI and its subsidiary companies received stock options in ICICI Bank equal to half the number of their outstanding unexercised stock options in ICICI. The exercise price for these options is equal to twice the exercise price for the ICICI stock options. All other terms and conditions of these options are similar to those applicable to ICICI Bank's stock options pursuant to its employee stock option scheme.

The following table sets forth certain information regarding the options granted by ICICI Bank (including options granted by ICICI adjusted in accordance with the Scheme of Amalgamation) at September 30, 2006.

Particulars	ICICI Bank
Options granted	40,206,155
Options vested	22,546,132
Options exercised	15,823,416
Options forfeited/lapsed	4,431,460
Extinguishment or modification of options	None
Amount realized by sale of options	Rs.2,491,245,6000
Total number of options in force	19,951,279

OVERVIEW OF THE INDIAN FINANCIAL SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries and the Reserve Bank of India, and has not been prepared or independently verified by us. This is the latest available information to our knowledge at December 12, 2006.

Introduction

The Reserve Bank of India, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- long-term lending institutions;
- non-bank finance companies, including housing finance companies;
- other specialized financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. The Government of India's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999. See "Banking Sector Reform—Committee on Banking Sector Reform (Narasimham Committee II)".

This discussion presents an overview of the role and activities of the Reserve Bank of India and of each of the major participants in the Indian financial system, with a focus on the commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

Reserve Bank of India

The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. The Reserve Bank of India manages the country's money supply and foreign exchange and also serves as a bank for the Government of India and for the country's commercial banks. In addition to these traditional central banking roles, the Reserve Bank of India undertakes certain developmental and promotional roles.

The Reserve Bank of India issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. The Reserve Bank of India requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the Reserve Bank of India's role as the regulatory and supervisory authority of India's financial system and its impact on us, see "Supervision and Regulation".

Commercial Banks

Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. At June 30, 2006, there were 194 scheduled commercial banks in the country, with a network of 69,104 branches serving approximately Rs. 21.72 trillion (US$ 473 billion) in deposit accounts. Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 66.5% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalized banks and 109 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 47,950 branches, and accounted for 70.2% of the outstanding gross bank credit and 71.4% of the aggregate deposits of the scheduled commercial banks at June 30, 2006. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits.

The State Bank of India is the largest bank in India. At June 30, 2006, the State Bank of India and its seven associate banks had 13,892 branches. They accounted for 22.9% of aggregate deposits and 22.6% of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development is responsible for regulating and supervising the functions of the regional rural banks. In 1986 the Kelkar Committee made comprehensive recommendations covering both the organizational and operational aspects of regional rural banks, several of which were incorporated as amendments to the Regional Rural Banking Act, 1976. As part of comprehensive restructuring programme, recapitalization of the regional rural banks was initiated in fiscal 1995, a process which continued until fiscal 2000 and covered 187 regional rural banks with aggregate financial support of Rs. 21.88 billion (US$ 476 million) from the stakeholders. Simultaneously, prudential norms on income-recognition, asset classification and provisioning for loan-losses following customary banking benchmarks were introduced.

At June 30, 2006, there were 109 regional rural banks with 14,369 branches, accounting for 3.2% of aggregate deposits and 2.6% of gross bank credit outstanding of scheduled commercial banks. During fiscal 2006 and the first half of fiscal 2007, the number of regional rural banks was reduced from 173 to 109 through amalgamations of several regional rural banks.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the Reserve Bank of India permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including ICICI Bank. These banks are collectively known as the "new" private sector banks. At the end of June 2005, there were nine "new" private sector banks. A merger between two of these banks, Centurion Bank and Bank of Punjab, came into effect from October 1, 2005. In addition, 21 private sector banks existing prior to July 1993 were operating at year-end fiscal 2006. There were a total of 29 private sector banks at June 30, 2006.

At June 30, 2006, private sector banks accounted for approximately 20.0% of aggregate deposits and 20.3% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,543 branches accounted for 9.5% of the total branch network of scheduled commercial banks in the country. At June 30, 2006, ICICI Bank accounted for approximately 8.4% of aggregate deposits and 9.5% of non-food credit outstanding of the scheduled commercial banks.

During fiscal 2007 (through December 2006), two private sector banks were merged with two other private sector banks under schemes of amalgamation by the government of India. See also “Supervision and Regulation—Reserve Bank of India Regulation—Moratorium, Reconstruction & Amalgamation of Banks”.

Foreign Banks

At June 30, 2006, there were 29 foreign banks with 242 branches operating in India. Foreign banks accounted for 5.4% of aggregate deposits and 6.9% of outstanding gross bank credit of scheduled commercial banks at June 30, 2006. As part of the liberalization process, the Reserve Bank of India has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. Foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly-owned non-bank finance company subsidiaries or joint ventures for both corporate and retail lending. In a circular dated July 6, 2004, the Reserve Bank of India stipulated that banks should not acquire any fresh stake in a bank’s equity shares, if by such acquisition, the investing bank’s holding exceeded 5.0% of the investee bank’s equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks.

The Reserve Bank of India issued a notification on “Roadmap for presence of foreign banks in India” on February 28, 2005, announcing the following measures with respect to the presence of foreign banks:

- During the first phase (up to March 2009), foreign banks will be allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
- In addition, during the first phase, foreign banks would be allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring.
- For new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for under-banked areas.
- During the second phase (from April 2009 onwards), after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, the Reserve Bank of India undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently the Reserve Bank of India is responsible for supervision and regulation of urban cooperative banks, and the National Bank for Agriculture and Rural Development for state cooperative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all cooperative banks by the Reserve Bank of India. See also “Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act”. In its Annual Policy Statement for fiscal 2005, the Reserve Bank of India announced that it proposed to consider issuance of fresh licenses to urban cooperative banks only after a comprehensive policy on urban cooperative banks was in place, including an appropriate legal and regulatory framework for the sector. In the mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India announced that a vision document for the future role of urban cooperative banks is being evolved to ensure depositors' interests and avoid contagion while providing useful service to local communities. With respect to structural issues, the Reserve Bank of India has stated that it would be encouraging growth of strong and viable entities within this sector through consolidation. A task force appointed by the Government of India to examine the reforms required in the cooperative banking system submitted its report in December 2004. It recommended several structural, regulatory and operational reforms for cooperative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Union Budget for fiscal 2006, the Finance Minister accepted the recommendations of the Task Force in principle and proposed to call state governments for consultation and begin to implement the recommendations in the states willing to do so. In the Annual Policy Statement for fiscal 2006, the Reserve Bank of India has stated that it is in the process of preparing a medium-term framework for urban cooperative banks.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provided fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India (now a bank), IFCI Limited, Industrial Investment Bank of India as well as ICICI prior to the amalgamation.

The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities, including into:

- fee-based activities like investment banking and advisory services; and
- short-term lending activity including making corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. See "Recent Structural Reforms—Universal Banking Guidelines". In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a period of five years from the statutory liquidity ratio. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005.

Non-Bank Finance Companies

There are over 13,000 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with the Reserve Bank of India. The non-bank finance companies may be categorized into entities which take public deposits and those which do not. The companies which take public deposits are subject to strict supervision and capital adequacy requirements of the Reserve Bank of India. ICICI Securities Limited, our subsidiary, is a non-bank finance company, which does not accept public deposits. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company was granted a banking license by the Reserve Bank of India and converted itself into Kotak Mahindra Bank.

Over the past few years, certain non-bank finance companies have defaulted to investors and depositors, and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending. See also "Reforms of the Non-Bank Finance Companies".

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies. As a result of the various incentives given by the government for investing in the housing sector in recent years, the scope of this business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including banks have entered the housing finance industry. We are a major housing finance provider and also have a housing finance subsidiary, ICICI Home Finance Company Limited. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. They include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited and the Infrastructure Development Finance Corporation Limited.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Insurance Companies

Currently, there are 32 insurance companies in India, of which 16 are life insurance companies, 15 are general insurance companies and one is a re-insurance company. Of the 16 life insurance companies, 15 are in the private sector and one is in the public sector. Among the general insurance companies, nine are in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. We have joint ventures in each of the life insurance and the general insurance sectors. Our life insurance joint venture, ICICI Prudential Life Insurance Company Limited, and our general insurance joint venture, ICICI Lombard General Insurance Company Limited, are both major players in their respective segments. During fiscal 2005, the gross premiums underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs. 181.0 billion (US$ 3.9 billion) and Rs. 253.4 billion (US$ 5.5 billion) respectively. First year premium underwritten in the life insurance sector recorded a growth of 40.6% to reach

Rs. 358.98 billion (US$ 7.8 billion) in fiscal 2006 with the private sector's retail market share (on weighted received premium basis) increasing from 25.4% in fiscal 2005 to 34.2% in fiscal 2006. Gross premium in the non-life insurance sector (excluding Export Credit Guarantee Corporation of India Limited) grew by 16.2% to Rs. 203.79 billion (US$ 4.4 billion) in fiscal 2006 with the private sector's market share increasing from 20.3% in fiscal 2005 to 26.6% in fiscal 2006. During fiscal 2007 (through October 2006) the gross premium underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs. 146.1 billion (US$ 3.2 billion) and Rs. 190.6 billion (US$ 4.1 billion) respectively.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999. This Act opened up the Indian insurance sector for foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0%. The new company should have a minimum paid up equity capital of Rs. 1.0 billion (US$ 22 million) to carry on the business of life insurance or general insurance or Rs. 2.0 billion (US$ 44 million) to carry on exclusively the business of reinsurance.

In the monetary and credit policy for fiscal 2001, the Reserve Bank of India issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratio, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26.0% (or such other percentage as may be prescribed), after a period of 10 years from the date of commencement of business or within such period as may be prescribed by the Indian government. The Indian government, while presenting its budget for fiscal 2005, proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26.0% to 49.0%. However, this requires an amendment to the Insurance Regulatory and Development Authority Act 1999 and has not been implemented as yet.

Mutual Funds

At the end of October 2006, there were 29 mutual funds in India with total assets under management of Rs. 3,101.7 billion (US$ 67.5 billion). From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and the Reserve Bank of India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996. At the end of October 2006, there were 24 private sector mutual funds with a 77.8% market share in terms of total assets under management. Our asset management joint venture, Prudential ICICI Asset Management Company Limited, was the largest private sector mutual fund in India based on assets under management at October 31, 2006.

In 2001, Unit Trust of India, with a high level of investment in equity securities, started to face difficulties in meeting redemption and assured return obligations due to a significant decline in the market value of its securities portfolio. In response, the Government of India implemented a package of reform measures for Unit Trust of India, including guaranteeing redemption and assured return obligations to the unit holders, subject to restrictions on the maximum permissible redemption amount. As part of the reforms, Unit Trust of India was divided into two mutual funds structured in accordance with the regulations of the Securities and Exchange Board of India, one comprising assured return schemes and the other comprising net asset value based schemes.

Impact of Liberalization on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Indian government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the Government of India and from funds guaranteed by the Government of India originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities.

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The Reserve Bank of India has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential norms applicable to banks.

Banking Sector Reform

Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing government securities or statutory liquidity ratio bonds to fulfill statutory liquidity requirements. As a result, bank profitability was low, impaired assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System (Narasimham Committee I)

The Committee on the Financial System (The Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the Government of India. The major recommendations that were implemented included the following:

- with fiscal stabilization and the government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio or the proportion of the banks' net demand and time liabilities that were required to be invested in government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997;
- similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with the Reserve Bank of India was reduced from 15.0% in the pre-reform period to 4.5%. In a circular dated September 11, 2004, the Reserve Bank of India has raised the cash reserve ratio to 4.75% with effect from September 18, 2004 and 5.0% with effect from October 2, 2004;
- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits; and
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs. 217.5 billion (US$ 4.7 billion). The stronger public sector banks were given permission to issue equity to further increase capital.

Committee on Banking Sector Reform (Narasimham Committee II)

The second Committee on Banking Sector Reform (Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The Reserve Bank of India accepted and began implementing many of these recommendations in October 1998.

Recent Structural Reforms

Amendments to the Reserve Bank of India Act

In May 2006, the Indian Parliament approved amendments to the Reserve Bank of India Act removing the minimum cash reserve ratio requirement of 3.0%, giving the Reserve Bank of India discretion to reduce the cash reserve ratio to less than 3.0%. The amendments also resulted in no interest being payable by the Reserve Bank of India on cash reserve ratio balances. Further, the amendments also created a legal and regulatory framework for derivative instruments.

Recent Amendments to Laws Governing Public Sector Banks

The Indian Parliament recently amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity, The amendments also empower the Reserve Bank of India to prescribe 'fit and proper' criteria for directors of these banks, and permit supercession of their boards and appointment of administrators in certain circumstances.

Proposed Amendments to the Banking Regulation Act

Legislation seeking to amend the Banking Regulation Act has been introduced in the Indian Parliament. As presently drafted, the main amendments propose to:

- permit all banking companies to issue preference shares that will not carry any voting rights;
- make prior approval of the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group;
- remove the minimum statutory liquidity ratio requirement of 25.0%, giving the Reserve Bank of India discretion to reduce the statutory liquidity ratio to less than 25.0%. See also "Supervision and Regulation—Legal Reserve Requirements—Statutory Liquidity Ratio"; and
- remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, has received registration from the Reserve Bank of India and commenced operation in August 2003. Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment by Foreign Institutional Investors registered with the Securities and Exchange Board of India is permitted in security receipts issued by asset reconstruction companies, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government of India issued an ordinance amending the Securitization Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the Securitization Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See "Supervision and Regulation—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies."

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the Government of India announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank.

Pension Reforms

Currently, there are three categories of pension schemes in India: pension schemes for government employees, pension schemes for employees in the organized sector and voluntary pension schemes. In case of pension schemes for government employees, the government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the government (the Public Provident Fund to which contribution may be made up to a maximum of Rs. 70,000 or US$ 1,523 per annum) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme.

In 1998, the government commissioned the Old Age Social and Income Security (OASIS) project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal 2001, the government announced that a high level committee would be formulated to design a contribution-based pension scheme for new government recruits. The government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the government announced that it would be mandatory for its new employees (excluding defense personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the government announced that the new pension scheme would be applicable to all new recruits to Indian government service (excluding defense personnel) from January 1, 2004. Further, on December 30, 2004, the government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority (PFRDA) to undertake promotional, developmental and regulatory functions with respect to the pension sector. In March 2005, the Government tabled the Pension Fund and Development Authority Bill in Parliament. The Union Budget for fiscal 2006 has recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the government would issue guidelines for such investment.

Credit Policy Measures

The Reserve Bank of India issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. It issues a review of the annual policy statement on a quarterly basis.

Annual Policy Statement for Fiscal 2007

In its annual policy statement for fiscal 2007 announced in April 2006, the Reserve Bank of India:

- Raised the requirement of general provisioning on standard advances to specific sectors like residential housing loans beyond Rs. 2.0 million (US$ 43,526) and commercial real estate loans from 0.40% to 1.0%.

- Increased the risk weight on commercial real estate exposure from 125.0% to 150.0%.

- Proposed to include banks' total exposure to venture capital funds as a part of capital market exposure with a risk weight of 150.0%.
- Raised the ceiling on non resident external deposit rates to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 100 basis points from the existing level of 75 basis points above LIBOR/SWAP rates.

First Quarter Review of Annual Policy Statement for Fiscal 2007

In its first quarter review of the annual policy statement announced on July 25, 2006, the Reserve Bank of India has raised the reverse repo rate by 25 basis points to 6.0% with immediate effect. The bank rate remained unchanged at 6.0%.

Mid-Term Review of Annual Policy Statement for Fiscal 2007

In its mid-term review of the annual policy statement announced on October 31, 2006, the Reserve Bank of India raised the repo rate by 25 basis points to 7.25%. The bank rate remained unchanged at 6.0%. The Reserve Bank also extended the time frame for full compliance with Basel II norms to March 31, 2008 for foreign banks operating in India and Indian banks present overseas. All other scheduled commercial banks are required to be in full compliance with Basel II norms by no later than March 31, 2009.

Reforms of the Non-Bank Finance Companies

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-bank finance companies in June 1994. Registered non-bank finance companies were required to achieve a minimum capital adequacy of 6.0% by year-end fiscal 1995 and 8.0% by year-end fiscal 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, the Reserve Bank of India announced in July 1996 certain liberalization measures under which the non-bank finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-bank finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-bank finance companies has been revised uniformly upwards and, since April 1999, 15.0% of public deposits must be maintained. From January 1, 2000 the requirement should not be less than 10.0% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.0% of the "public deposit" outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-bank finance companies could pay on their public deposits was reduced from 12.5% per annum to 11.0% per annum effective March 4, 2003.

Efforts have also been made to integrate non-bank finance companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-bank finance companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-bank finance companies set up by the Government of India submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-bank finance companies. Accepting these recommendations, the Reserve Bank of India issued new guidelines for non-bank finance companies, which were as follows:

- a minimum net owned fund of Rs. 2.5 million (US$ 54,406) is mandatory before existing non-bank finance companies may accept public deposits;
- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;

- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-bank finance companies with different ratings were specified; and
- non-bank finance companies were advised to restrict their investments in real estate to 10.0% of their net owned funds

In the monetary and credit policy for fiscal 2000, the Reserve Bank of India stipulated a minimum capital base of Rs. 20 million (US$ 435,256) for all new non-bank finance companies. In the Government of India's budget for fiscal 2002, the procedures for foreign direct investment in non-bank finance companies were substantially liberalized.

During fiscal 2003, the Reserve Bank of India introduced a number of measures to enhance the regulatory and supervisory standards of non-bank finance companies, especially in order to bring them at par with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-bank finance companies to take up insurance agency business.

In 2005, the Reserve Bank of India introduced stricter regulatory measures for non-bank finance companies, including stringent reporting requirements and revised Know Your Customer guidelines.

On December 12, 2006, the Reserve Bank of India issued guidelines on the financial regulation of systematically important non-banking financial companies and banks' relationships with them with a view to remove the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk. Within non deposit taking non-banking financial companies, the guidelines classify those with an asset size above Rs. 1.00 billion as per the last audited balance sheet as systemically important. These non-banking financial companies are required to maintain a minimum capital to risk weighted assets ratio (CRAR) of 10.0%, in addition to conforming with single and group exposure norms. The guidelines restrict banks' holdings in a deposit taking non-banking financial company, excluding housing finance companies, to 10.0% of the paid up equity capital of the non-banking financial company. The total exposure to a single non-banking financial company has been limited to 10.0% of the bank's capital funds (15.0% in the case of an asset finance company).

The limit may be increased to 15.0% and 20.0%, respectively, provided that the excess exposure is on account of funds lent by the non-banking financial company to the infrastructure sector.

SUPERVISION AND REGULATION

The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, the Reserve Bank of India, from time to time, issues guidelines to be followed by banks. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP.

Reserve Bank of India Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a license from the Reserve Bank of India to carry on banking business in India. Before granting the license, the Reserve Bank of India must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such license is granted to the bank. The Reserve Bank of India can cancel the license if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

Being licensed as a banking company, we are regulated and supervised by the Reserve Bank of India. The Reserve Bank of India requires us to furnish statements, information and certain details relating to our business. It has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing assets. The Reserve Bank of India has set up a Board for Financial Supervision, under the chairmanship of the Governor of the Reserve Bank of India. The appointment of the auditors of banks is subject to the approval of the Reserve Bank of India. The Reserve Bank of India can direct a special audit in the interest of the depositors or in the public interest.

Regulations relating to the Opening of Branches

Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the Reserve Bank of India to open new branches. Permission is granted based on factors such as the financial condition and history of the banking company, its management, adequacy of capital structure and earning prospects and the public interest. The Reserve Bank of India may cancel the license for violations of the conditions under which it was granted. Under the banking license granted to us by the Reserve Bank of India, we are required to have at least 25.0% of our branches located in rural and semi-urban areas. A rural area is defined as a center with a population of less than 10,000. A semi-urban area is defined as a center with a population of greater than 10,000 but less than 100,000. These population figures relate to the 2001 census conducted by the Government of India. In September 2005, the Reserve Bank of India issued a new branch authorization policy in terms of which the existing system of granting authorizations for opening individual branches from time to time will be replaced by a system of aggregated approvals on an annual basis. The Reserve Bank of India will discuss with individual banks their branch expansion strategies and plans over the medium term. The term "branch" for this purpose has been defined to also include extension counters, offsite ATMs, administrative offices and back offices. While processing authorization requests, the Reserve Bank of India will give importance to the nature and scope of banking services particularly in under-banked areas, actual credit flow to the priority sector and efforts to promote financial inclusion, the need to induce enhanced competition in the banking sector, the bank's regulatory compliance, quality of governance, risk management and relationships with subsidiaries and affiliates.

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of the Reserve Bank of India, which, based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998, require us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital.

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves as reduced by equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from the previous period. In fiscal 2003, the Reserve Bank of India issued a guideline requiring a bank's deferred tax asset to be treated as an intangible asset and deducted from its Tier I capital.

Tier II capital includes undisclosed reserves, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital. Tier II capital cannot exceed Tier I capital.

In January 2006, the Reserve Bank of India issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital, The Reserve Bank of India also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, the Reserve Bank of India issued guidelines permitting the issuance of Tier I and Tier II debt instruments denominated in foreign currencies. See also "Operating and Financial Review and Prospects—Capital Resources."

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Standby letters of credit and guarantees are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange open positions carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold. In December 2004, the Reserve Bank of India increased the risk weights on housing loans from 50.0% to 75.0% and on consumer credit including personal loans and credit card receivables from 100.0% to 125.0% as a temporary counter-cyclical measure given the rapid growth of these segments. In July 2005, the Reserve Bank of India increased the risk weights on capital market exposure and exposure to commercial real estate from 100.0% to 125.0%. In its annual policy statement for fiscal 2007, the Reserve Bank of India further increased the risk weight on loans and exposure to commercial real estate from 125.0% to 150.0%. The risk weight for venture capital funds included for capital market exposure was increased to 150.0%. The Reserve Bank of India issued guidelines on securitization of standard assets on February 1, 2006. The guidelines define true sale, criteria to be met by special purpose vehicles set up for securitization, policy on provision of credit enhancement facilities, liquidity facilities, underwriting facilities and provision of services. The guidelines also cover capital requirements on securitization, prudential norms for investment in securities issued by special purpose vehicles, accounting treatment of the securitization transactions and disclosure requirements.

Effective March 31, 2001, banks and financial institutions were required to assign a risk weight of 2.5% in respect of the entire investment portfolio to cover market risk, over and above the existing risk weights for credit risk in non-government and non-approved securities. In fiscal 2002, with a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the Reserve Bank of India advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years, by fiscal 2006. This reserve had to be computed with respect to investments in held for trading and available for sale categories. Investment fluctuation reserve is included in Tier II capital. In June 2004, the Reserve Bank of India issued guidelines on capital for market risk. The guidelines prescribe the method of computation of risk-weighted assets in respect of market risk. The aggregate risk weighted assets are required to be taken into account for determining the capital adequacy ratio. Banks were required to maintain a capital charge for market risk in respect of their trading book exposure (including derivatives) by year-end fiscal 2005 and securities included under available for sale category by year-end fiscal 2006. In October 2005, the Reserve Bank of India specified that banks that maintain capital for both credit risk and market risk for both held for trading and available for sale categories at year-end fiscal 2006 would be permitted to treat the entire balance in the investment fluctuation reserve as Tier I capital.

In February 2005, the Reserve Bank of India issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These draft guidelines specify that banks in India will adopt the standardized approach for credit risk and the basic indicator approach for operational risk with effect from March 31, 2008 (for foreign banks operating in India and Indian banks having presence abroad) and March 31, 2009 (for all other scheduled commercial banks). After adequate expertise has been developed, both at the banks and at the supervisory levels, some banks may be allowed to migrate to the internal ratings based approach after obtaining the approval of the Reserve Bank of India. The guidelines also prescribe a 75.0% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15.0% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

Loan Loss Provisions and Non-Performing Assets

In April 1992, the Reserve Bank of India issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, which are revised from time to time.

The principal features of these Reserve Bank of India guidelines, which have been implemented with respect to ICICI Bank's loans, debentures, lease assets, hire purchases and bills are set forth below.

The Reserve Bank of India guidelines stipulate the criteria for determining and classifying a non-performing asset set forth below:

Asset Classification

A non-performing asset is an asset in respect of which any amount of interest or principal is overdue for more than 90 days (180 days until year-end fiscal 2003). In particular, an advance is a non-performing asset where:

- interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
- the account remains "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit;
- the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;
- installment of interest or principal remains overdue for two harvest seasons for short duration crops or for one harvest season for long duration crops; or
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Interest in respect of non-performing assets is not recognized or credited to the income account unless collected.

Non-performing assets are classified as described below.

Sub-Standard Assets. Assets that are non-performing assets for a period not exceeding 12 months (18 months until year-end fiscal 2004). In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets. Assets that are non-performing assets for more than 12 months (18 months until year-end fiscal 2004). A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets. Assets on which losses have been identified by the bank or internal or external auditors or the Reserve Bank of India inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

The Reserve Bank of India also has separate guidelines for restructured loans. A fully secured restructured standard loan can be restructured by reschedulement of principal repayment and/or the interest element, but must be separately disclosed as a restructured loan. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines are applicable to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. See "Overview of the Indian Financial Sector—Recent Structural Reforms—Corporate Debt Restructuring Forum".

Provisioning and Write-Offs

Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- *Standard Assets.* A general provision of 0.25% is required. In fiscal 2006, the Reserve Bank of India increased the general provisioning requirement from 0.25% to 0.40% (excluding direct advances to the agriculture and small and medium enterprise sectors). In its annual policy statement for fiscal 2007, the Reserve Bank of India increased the general provisioning on standard advances in specific sectors from 0.40% to 1.00%. These provisions are eligible for inclusion in Tier II capital for capital adequacy purposes up to the permitted extent. The Reserve Bank of India has permitted banks to phase in the additional provisioning over the fiscal 2007 to achieve the following levels of provisioning:

  i) 0.55% by June 30, 2006;

  ii) 0.70% by September 30, 2006;

  iii) 0.85% by December 31, 2006; and

  iv) 1.00% by March 31, 2007.

- *Sub-Standard Assets*. A general provision of 10.0% of the total outstanding is required. However, unsecured exposures which are identified as substandard would attract an additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance.
- *Doubtful Assets*. A 100.0% write-off is required to be taken against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers.

Until year-end fiscal 2004, in cases where there was a secured portion of the asset, depending upon the period for which the asset remained doubtful, a 20.0% to 50.0% provision was required to be taken against the secured asset as follows:

- Up to one year: 20.0% provision
- One to three years: 30.0% provision
- More than three years: 50.0% provision

In July 2004, the Reserve Bank of India introduced additional provisioning requirements for non-performing assets classified as 'doubtful for more than three years'. Effective year-end fiscal 2005, 100.0% provision is required for the secured portion of assets classified as doubtful for more than three years on or after April 1, 2004. For the secured portion of assets classified as doubtful for more than three years at year-end fiscal, 2004, a provision of 60.0% is required to be made by year-end fiscal 2005, 75.0% by year-end fiscal 2006 and 100.0% by year-end fiscal 2007.

- *Loss Assets.* The entire asset is required to be written off or provided for, i.e., a 100.0% provision.
- *Restructured Loans.* The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved.

In June 2006, the Reserve Bank of India issued prudential norms on creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the Board of Directors and with the prior permission of the Reserve Bank of India. Floating provisions for advances and investments would be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted off from gross non performing assets to arrive at disclosure of net non performing assets. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk-weighted assets. Further, floating provisions would not include specific voluntary provisions made by banks for advances at rates which are higher than the stipulated rates.

Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. The Reserve Bank of India issues directions covering the loan activities of banks. Some of the major guidelines of the Reserve Bank of India, which are now in effect, are as follows:

- The Reserve Bank of India has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its Board of Directors. Banks are required to declare a benchmark prime lending rate based on various parameters including cost of funds, non-interest expense, capital charge and profit margin. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. The interest charged by banks on advances up to Rs. 200,000 (US$ 4,353) to any one entity (other than certain permitted types of loans including loans to individuals for acquiring residential property, loans for purchase of consumer durables and other non-priority sector personal loans) must not exceed the prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by the Reserve Bank of India.

In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances against the security of its own shares, a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, 1956, or a government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that 'loans or advances' shall not include any transaction which the Reserve Bank of India may specify by general or special order as not being a loan or advance for the purpose of such section.

There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

In June 2005, the Reserve Bank of India issued guidelines requiring banks to put in place a policy for exposure to real estate with the approval of their boards. The policy is required to include exposure limits, collaterals to be considered, collateral cover and margins and credit authorization. The Reserve Bank of India has also permitted banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment. Banks are not permitted to finance acquisitions by companies in India.

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. These assets are to be sold on 'without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. See also "Overview of the Indian Financial Sector—Recent Structural Reforms—Legislative Framework for Recovery of Debts Due to Banks".

Guidelines on Sale and Purchase of Non-performing Assets

In July 2005, the Reserve Bank of India issued guidelines on sales and purchases of non-performing assets between banks, financial institutions and non-bank finance companies. These guidelines require that the Board of Directors of the bank must establish a policy for purchases and sales of non-performing assets. Purchases and sales of non-performing assets must be without recourse to the seller and on a cash basis, with the entire consideration being paid upfront. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the non-performing asset on its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller.

Directed Lending

Priority Sector Lending

The Reserve Bank of India requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (the priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the National Bank for Agriculture and the Rural Development. These deposits can be for a period of one year or five years.

Prior to the amalgamation, the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending. Pursuant to the terms of the Reserve Bank of India's approval of the amalgamation, ICICI Bank is required to maintain a total of 50.0% of its domestic net bank credit on the residual portion of its advances (i.e., the portion of its total advances excluding advances of ICICI) in the form of priority sector advances. This additional requirement of 10.0% by way of priority sector advances will apply until such time as the aggregate priority sector advances reach a level of 40.0% of the total net bank credit of ICICI Bank.

The Reserve Bank of India issued draft guidelines on priority sector lending on November 8, 2006. The draft guidelines provide that the priority sector will broadly comprise agriculture, small-scale industries, small business/service enterprises, micro credit, education loans and housing loans. The priority sector lending targets and sub-targets for all banks would now be linked to adjusted net bank credit (net bank credit plus investments made by banks in non-SLR bonds held in the held to maturity category) or credit equivalent of off-balance sheet exposures, whichever is higher, as on March 31 of the previous year.

Export Credit

The Reserve Bank of India also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's net bank credit is required to be in the form of export credit. ICICI Bank provides export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies.

Credit Exposure Limits

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the Reserve Bank of India has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group).

The limits currently set by the Reserve Bank of India are as follows:

- The exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e., up to 50.0% of capital funds. Banks may, in exceptional circumstances, with the approval of their Board of Directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.
- Capital funds is the total capital as defined under capital adequacy norms (Tier I and Tier II capital).
- Non-fund based exposures are calculated at 100.0% and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective April 1, 2003.

To ensure that exposures are evenly spread, the Reserve Bank of India requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodical review by the banks. ICICI Bank has fixed a ceiling of 15.0% on its exposure to any one industry (other than retail loans) and monitors its exposures accordingly.

Limits on exposure to Non-Banking Finance Companies

On December 12, 2006, the Reserve Bank of India issued guidelines on the financial regulation of systematically important non-banking financial companies and banks' relationship with them with a view to remove the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk. Within non deposit taking non-banking financial companies, the guidelines classify those with an asset size above Rs. 1.00 billion (US$ 22 million) as per the last audited balance sheet as systemically important. These non-banking financial companies are required to maintain a minimum capital to risk weighted assets ratio of 10.0%, in addition to conforming with single and group exposure norms. The guidelines restrict banks' holding in a deposit taking non-banking financial company, excluding housing finance companies, to 10.0% of the paid up equity capital of the entity. The total exposure to a single non-banking financial company has been limited to 10.0% of the bank's capital fund while exposure to a non-banking asset finance company has been restricted to 15.0% of the bank's capital fund. The limit may be increased to 15.0% and 20.0% respectively provided that the excess exposure is on account of funds lent by the non-banking finance company to infrastructure sectors.

Regulations relating to Investments and Capital Market Exposure Limits

Pursuant to the Reserve Bank of India guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 5.0% of total advances (including commercial paper) at March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity oriented mutual funds should not exceed 20.0% of the bank's net worth. However the exposure to capital markets in excess of 5.0% is permitted by the Reserve Bank of India on a case by case basis. In its mid-term review of its annual policy statement for fiscal 2006, announced on October 25, 2005, the Reserve Bank of India has proposed to restrict a bank's capital exposure to 40.0% of its net worth (both standalone and consolidated) and the consolidated direct capital market exposure to 20.0% of the consolidated net worth. Pursuant to the terms of the Reserve Bank of India's approval for the amalgamation, ICICI's project finance related investments are excluded from the computation of these limits for a period of five years from the amalgamation. In addition, the Reserve Bank of India has approved the exclusion of specific equity investments acquired by conversion of debt under restructuring schemes approved by the Corporate Debt Restructuring Forum. In a recent circular the Reserve Bank of India has limited banks' capital market exposure to 40.0% of their net worth as on March 31 of the previous year on a solo basis. Within this limit direct investments in shares, convertible bonds/debentures, units of equity oriented mutual funds and all exposures to venture capital funds have been restricted to 20.0% of their net worth. On a consolidated basis, the exposure to capital markets has been restricted to 40.0% of the consolidated net worth as on March 31 of the previous year with direct investments in shares, convertible bonds/debentures, units of equity oriented mutual funds and all exposures to venture capital funds restricted to 20.0% of their consolidated net worth.

In November 2003, the Reserve Bank of India issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may not exceed 10.0% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year with a sub-ceiling of 5.0% for investments in bonds of public sector undertakings. These guidelines do not apply to investments in security receipts issued by securitization or reconstruction companies registered with Reserve Bank of India and asset backed securities and mortgage backed securities with a minimum investment grade credit rating. These guidelines were effective April 1, 2004, with provision for compliance in a phased manner by January 1, 2005.

In April 1999, the Reserve Bank of India, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier II capital and free reserves. In July 2004, the Reserve Bank of India imposed a ceiling of 10.0% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier I capital of the investing bank or financial institution, are subject to a 100.0% risk weight for credit risk for capital adequacy purposes. The risk weight for credit risk exposure in capital markets has been increased to 125.0% from 100.0% in July 2005. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.0% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the Reserve Bank of India with a roadmap for reduction of the exposure.

Consolidated Supervision Guidelines

In fiscal 2003, the Reserve Bank of India issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are:

Consolidated Financial Statements. Banks are required to prepare consolidated financial statements intended for public disclosure.

Consolidated Prudential Returns. Banks are required to submit to the Reserve Bank of India, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:

- Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
- Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
- Consolidated capital market exposure limit of 2.0% of consolidated total assets and 10.0% of consolidated net worth.

ICICI Bank is in compliance with these guidelines, except for the consolidated capital market exposure limits. ICICI Bank has submitted to the Reserve Bank of India that the limit of 2.0% of consolidated total assets and 10.0% of consolidated net worth effectively reduces the standalone capital market exposure limit of 5.0% of advances and 20.0% of net worth. See also "Reserve Bank of India Regulations—Credit Exposure Limits". In its mid-term review of its annual policy statement for fiscal 2006 announced on October 25, 2005, the Reserve Bank of India has proposed to restrict a bank's capital exposure to 40.0% of its net worth (both standalone and consolidated) and the consolidated direct capital market exposure to 20.0% of the consolidated net worth.

In June 2004, the Reserve Bank of India published the report of a working group on monitoring of financial conglomerates, which proposed the following framework:

- identification of financial conglomerates that would be subjected to focused regulatory oversight;
- monitoring intra-group transactions and exposures and large exposures of the group to outside counter parties;

- identifying a designated entity within each group that would collate data in respect of all other group entities and furnish the same to its regulator; and
- formalizing a mechanism for inter-regulatory exchange of information.

The framework covers entities under the jurisdiction of the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and the National Housing Bank and would in due course be extended to entities regulated by the proposed Pension Fund Regulatory and Development Authority. The Reserve Bank of India has identified ICICI Bank and its related entities as a financial conglomerate with ICICI Bank as the designated entity responsible for reporting to the Reserve Bank of India.

Banks' Investment Classification and Valuation Norms

The key features of the Reserve Bank of India guidelines on categorization and valuation of banks' investment portfolio are given below.

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Held to maturity includes securities acquired with the intention of being held up to maturity; held for trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available for sale includes securities not included in held to maturity and held for trading. Banks should decide the category of investment at the time of acquisition.
- Held to maturity investments compulsorily include (a) recapitalization bonds received from the Government of India towards their re-capitalization requirement and held in their investment portfolio, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds and debentures.
- Profit on the sale of investments in the held to maturity category, net of tax and statutory reserve, is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement.
- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the Reserve Bank of India price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available for sale and held for trading securities.
- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement.
- Shifting of investments from or to held to maturity may be done with the approval of the Board of Directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done with the approval of the Board of Directors, the Asset Liability Management Committee or the Investment Committee; shifting from held for trading to available for sale is generally not permitted.

In September 2004, the Reserve Bank of India announced that it would set up an internal group to review the investment classification guidelines to align them with international practices and the current state of risk management practices in India, taking into account the unique requirement applicable to banks in India of maintenance of a statutory liquidity ratio equal to 25.0% of their demand and time liabilities. In the meanwhile, the Reserve Bank of India has permitted banks to exceed the limit of 25.0% of investments for the held to maturity category provided the excess comprises only statutory liquidity ratio investments and the aggregate of such investments in the held to maturity category do not exceed 25.0% of the demand and time liabilities. The Reserve Bank of India permitted banks to transfer additional securities to the held to maturity category as a one time measure, in addition to the transfer permitted under the earlier guidelines. The transfer has to be done at the lower of acquisition cost, book value or market value on the date of transfer.

Held to maturity securities are not marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value.

Available for sale and held for trading securities are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the available for sale and held for trading categories is aggregated. Net appreciation in each basket, if any, that is not realized is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the net asset value announced periodically by the asset reconstruction company based on the valuation of the underlying assets.

The Reserve Bank of India has recently issued draft revised guidelines on investment classification, valuation and accounting which have not yet been finalized.

Limit on Transactions through Individual Brokers

Guidelines issued by the Reserve Bank of India require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The Reserve Bank of India specifies that not more than 5.0% of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the Reserve Bank of India has stipulated that the Board of Directors of the bank concerned should ratify such action.

Prohibition on Short-Selling

The Reserve Bank of India does not permit short selling of securities by banks excluding intra-day short selling in Central Government securities. The Reserve Bank of India has permitted banks to sell Government of India securities already contracted for purchase provided the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited or the security is contracted for purchase from the Reserve Bank of India. Each security is deliverable or receivable on a net basis for a particular settlement cycle.

In February, 2006, the Reserve Bank of India introduced intra-day short selling in Central Government securities as a measure to develop the Central Government securities market. In its Annual Policy Statement for fiscal 2007, the Reserve Bank of India proposed to introduce a 'when issued' market in government securities in order to further strengthen the debt management framework.

Subsidiaries and Other Financial Sector Investments

We need the prior permission of the Reserve Bank of India to incorporate a subsidiary. We are required to maintain an "arms' length" relationship with our subsidiaries and with mutual funds sponsored by us in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we are not able or not permitted to do so ourselves. We have to observe the prudential norms stipulated by the Reserve Bank of India, from time to time, in respect of our underwriting commitments. Pursuant to such prudential norms, our underwriting or the underwriting commitment of our subsidiaries under any single obligation shall not exceed 15.0% of an issue. We also need the prior specific approval of the Reserve Bank of India to participate in the equity of financial services ventures including stock exchanges and depositories notwithstanding the fact that such investments may be within the ceiling (the lower of 30.0% of the paid-up capital of the investee company and 30.0% of the investing bank's own paid up capital and reserves) prescribed under Section 19(2) of the Banking Regulation Act. Our investment in a subsidiary company, financial services company, financial institution and stock and other exchanges cannot exceed 10.0% of our paid-up capital and reserves and our aggregate investments in all such companies, financial institutions, stock and other exchanges put together cannot exceed 20.0% of our paid-up capital and reserves. In August 2006, the Reserve Bank of India issued guidelines which included banks' investments in venture capital funds in this limit

Regulations relating to Deposits

The Reserve Bank of India has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, ICICI Bank is permitted by the Reserve Bank of India to pay an additional interest of 1.0% over the interest payable on deposits from the public.

- Domestic time deposits have a minimum maturity of seven days. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years.

ICICI Bank stipulates a minimum balance of Rs. 10,000 (US$ 218) for a non-resident rupee savings deposit. Interest rates on non-resident rupee term deposits of one to three years maturity are not permitted to exceed the LIBOR/SWAP rates for US dollar of corresponding maturity plus 50 basis points. Interest rates on non-resident rupee savings deposits are not permitted to exceed the LIBOR/SWAP rate plus 50 basis points for six months maturity on US dollar deposits and are fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar on the last working day of the preceding quarter. On November 17, 2005, the Reserve Bank of India revised the interest rate on non-resident rupee term deposits of one to three years to LIBOR/SWAP rate plus 75 basis points. The interest rate on non-resident savings deposits is at rate applicable to domestic savings deposits.

Regulations relating to Knowing the Customer and Anti-Money Laundering

The Reserve Bank of India issued a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks are required to have a customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high-risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing a banking relationship or carrying out a financial transaction or when the bank has a doubt about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In February 2006, the Reserve Bank of India issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002. The Reserve Bank of India also issued anti money laundering guidelines to other entities such as non-bank finance companies and authorized money changers.

In August 2005, the Reserve Bank of India has simplified the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 (US$ 1,088) in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100,000 (US$ 2,176) in a year in order to ensure that the implementation of the KYC guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged.

The Indian Parliament had enacted the Prevention of Money Laundering Act in 2002. Effective July 1, 2005, the provisions of this Act have come into force. The Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. In addition, the applicable exchange control regulations prescribe reporting mechanisms for transactions in foreign exchange and require authorized dealers to report identified suspicious transactions to the Reserve Bank of India. In December 2004, the Indian Parliament passed the Unlawful Activities (Prevention) Amendment Ordinance/Act, 2004 incorporating the provisions considered necessary to deal with various facets of terrorism. The Narcotic Drugs and Psychotropic Substances Act, 1985 deals with proceeds of drug related crime.

Regulations on Asset Liability Management

At present, the Reserve Bank of India's regulations for asset liability management require banks to draw up asset-liability gap statements separately for rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. These statements have to be submitted to the Reserve Bank of India on a quarterly basis. The Reserve Bank of India has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the Reserve Bank of India has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15–28 day time periods does not exceed 20.0% of cash outflows in these time periods. This 20.0% limit on negative gaps was made mandatory with effect from April 1, 2000. In respect of other time periods, up to one year, the Reserve Bank of India has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, the Reserve Bank of India issued draft guidelines on improvements to banks' asset liability management framework.

Foreign Currency Dealership

The Reserve Bank of India has granted ICICI Bank a full-fledged authorized dealers' license to deal in foreign exchange through its designated branches. Under this license, ICICI Bank has been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and rupee denominated deposits from non resident Indians;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits;
- grant import and export loans;
- handle collection of bills, funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to its normal functions authorized under its organizational documents.

Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions.

ICICI Bank's foreign exchange operations are subject to the guidelines specified by the Reserve Bank of India in the exchange control manual. As an authorized dealer, ICICI Bank is required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorized dealers, like ICICI Bank, are required to determine their limits on open positions and maturity gaps in accordance with the Reserve Bank of India's guidelines and these limits are approved by the Reserve Bank of India.

Ownership Restrictions

The government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like ICICI Bank, cannot exceed 74.0% of the paid-up capital and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0% of the paid-up capital.

The Reserve Bank of India's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5.0% or more of its total paid up capital. The Reserve Bank of India, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, the Reserve Bank of India may take into account various factors including, but not limited to, the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment.

While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0% or more and up to 30.0% of a private sector bank's paid-up capital, the Reserve Bank of India may consider additional factors, including but not limited to:

- the source and stability of funds for the acquisition and ability to access financial markets as a source of continuing financial support for the bank,
- the business record and experience of the applicant including any experience of acquisition of companies,
- the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and
- in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community.

While granting acknowledgment for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of a private sector bank's paid-up capital, the Reserve Bank of India may consider additional factors, including but not limited to, whether or not the acquisition is in the public interest, and shareholder agreements and their impact on the control and management of the bank's operations.

In February 2005, the Reserve Bank of India issued guidelines on ownership and governance in private sector banks. The key provisions of the guidelines on ownership are:

- No single entity or group of related entities would be permitted to directly or indirectly hold or control more than 10.0% of the paid up equity capital of a private sector bank and any higher level of acquisition would require the Reserve Bank of India's prior approval;
- In respect of corporate shareholders, the objective will be to ensure that no entity or group of related entities has a shareholding in excess of 10.0% in the corporate shareholder. In case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated;
- The Reserve Bank of India may permit a higher level of shareholding in case of restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry;
- Banks would be responsible for compliance with the "fit and proper" criteria for shareholders on an ongoing basis; and
- Banks with shareholders with holdings in excess of the prescribed limit would have to indicate a plan for compliance.

The Reserve Bank of India has recently announced guidelines stating that these regulations would also apply in the event an existing shareholder's shareholding exceed the specified limit as a result of a rights issue of shares where other shareholders do not subscribe to the issue.

Legislation introduced in the Parliament to amend the Banking Regulation Act provides that prior approval of the Reserve Bank of India shall be mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group.

Restrictions on Payment of Dividends

In May 2005, the Reserve Bank of India issued guidelines stating that a bank may declare dividends only if all of the following conditions are met:

- Capital adequacy ratio is at least 9.0% for the preceding two completed years and the accounting year for which the bank proposes to declare a dividend.
- Net non-performing asset ratio is less than 7.0%.
- The bank is in compliance with the prevailing regulations and guidelines issued by the Reserve Bank of India, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits to statutory reserves, etc.
- The proposed dividend will be paid out of the current year's profit.
- The Reserve Bank of India has not placed any explicit restrictions on the bank for declaration of dividends.

In case the bank does not meet the capital adequacy norms, but has a capital adequacy ratio of at least 9.0% for the accounting year for which it proposes to declare a dividend, it would be eligible to do so if its net non-performing asset ratio is less than 5.0%.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

- The dividend payout ratio (calculated as a percentage of dividend payable in a year to net profit during the year) must not exceed 40.0%. The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non-performing asset ratio.
- In case the profit for the relevant period includes any extraordinary income, the payout ratio must be calculated after excluding that income for compliance with the prudential payout ratio.
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualification by the statutory auditors, which might have an adverse effect on the profit during that year. In case there are any such qualifications, the net profit should be suitably adjusted while computing the dividend payout ratio.

Moratorium, Reconstruction & Amalgamation of Banks

The Reserve Bank of India can apply to the Government of India for suspension of business by a banking company. The Government of India after considering the application of the Reserve Bank of India may order a moratorium staying commencement of action or proceedings against such company for a maximum period of six months. During such period of moratorium, the Reserve Bank of India may (a) in the public interest; or (b) in the interest of the depositors; or (c) in order to secure the proper management of the bank; or (d) in the interests of the banking system of the country as a whole, prepare a scheme for the reconstruction of the bank or amalgamation of the bank with any other bank. In circumstances entailing reconstruction of the bank or amalgamation of the bank with another bank, the Reserve Bank of India invites suggestions and objections on the draft scheme prior to placing the scheme before the Government of India for its sanction. The Central Government may sanction the scheme with or without modifications. The law does not require consent of the shareholders or creditors of such banks.

Regulations on Mergers of Private Sector Banks and Banks and Non-banking Finance Companies

In May 2005, the Reserve Bank of India issued guidelines to facilitate mergers between private sector banks and between banks and non-banking finance companies. The guidelines particularly emphasize the examination of the rationale for amalgamation, the systemic benefits arising from it and the advantages accruing to the merged entity. With respect to a merger between two private sector banks, the guidelines require the draft scheme of amalgamation to be approved by the shareholders of both banks with a two-thirds majority after approval by the boards of directors of the two banks concerned. The draft scheme should also consider the impact of amalgamation on the valuation, profitability and capital adequacy ratio of the amalgamating bank and verify that the reconstituted board conforms to the Reserve Bank of India norms. The approved scheme needs to be submitted to the Reserve Bank of India for valuation and sanction in accordance with the Banking Regulation Act, along with other documentation such as the draft document of proposed merger, copies of all relevant notices and certificates, swap ratio, share prices, etc. With respect to a merger of a bank and a non-banking company, the guidelines specify that the non-banking finance company has to comply with Know Your Customer norms for all accounts and all relevant norms issued by the Reserve Bank of India and the Securities and Exchange Board of India. The non-banking finance company should also conform to insider trading norms issued by the Securities and Exchange Board of India, whether it is listed or not, in order to regulate the promoter's trading of shares before and after the amalgamation discussion period.

Credit Information Bureaus

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about persons who enjoy a credit relationship with it. Other credit institutions, credit information bureaus and such other persons as the Reserve Bank of India specifies may access such disclosed credit information.

Deposit Insurance

Demand and time deposits of up to Rs. 100,000 (US$ 2,176) accepted by Indian banks have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the Reserve Bank of India. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering.

The Reserve Bank of India issued guidelines on External Commercial Borrowings via its Master Circular in July 2005, which stated that no financial intermediary, including banks, will be permitted to raise such borrowings or provide guarantees in favor of overseas lenders for such borrowings. Eligible borrowers may raise such borrowings to finance the import of equipment and to meet foreign exchange needs of infrastructure projects. In a guideline dated August 1, 2005 the Reserve Bank of India has announced that external commercial borrowing proceeds can be utilized for overseas direct investment in joint ventures/wholly owned subsidiaries subject to the existing guidelines on Indian Direct Investment in joint ventures/wholly owned subsidiaries abroad. Further utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments or acquisitions in India or real estate investments.

In March 2006, in view of enhanced stability in India's external and financial sectors and increased integration of the financial sector in the global economy, the Reserve Bank of India constituted a Committee to set out a roadmap towards fuller capital account convertibility. The Committee has submitted its report in July 2006.

In October 2006, the Reserve Bank of India permitted banks to borrow funds from their overseas branches and correspondent banks up to a limit of 50.0% of unimpaired Tier I capital or US$ 10.0 million, whichever is higher, as against the earlier overall limit of 25.0%. However, short-term borrowings up to a period of one year or less should not exceed 20.0% of unimpaired Tier I capital within the overall limit of 50.0%. Capital funds raised by issue of innovative perpetual debt instruments and other overseas borrowing with the specific approval of the Reserve Bank would continue to be outside the limit of 50.0%.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the Reserve Bank of India. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to section 42 of the Reserve Bank of India Act. Effective October 2, 2004, the cash reserve ratio is 5.0%. Following the enactment of the Reserve Bank of India (Amendment) Bill 2006, the floor and ceiling rates on the cash reserve ratio were removed. In a guideline dated June 22, 2006, the Reserve Bank of India announced that the cash reserve ratio requirement would be maintained at 5.0% until further notice. In December 2006 the Reserve Bank of India increased the Cash Reserve Ratio by 50 basis points to 5.5%. The increase will be implemented in two stages, effective from the fortnight beginning December 23, 2006 and the fortnight beginning January 6, 2007. The Reserve Bank of India used to pay on cash reserves above 3.0%, which is no longer paid pursuant to the amendments to the Reserve Bank of India Act.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- inter-bank liabilities;
- liabilities to primary dealers;
- refinancing from the Reserve Bank of India and other institutions permitted to offer refinancing to banks; and
- perpetual debt qualifying for lower Tier I capital treatment.

The Reserve Bank of India pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and has discontinued paying interest on the balance at 3.5% per annum.

The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.0% of the required cash reserve ratio on any day of the fortnight.

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the Reserve Bank of India from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to section 24 of the Banking Regulation Act. At present, the Reserve Bank of India requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) Bill, 2005 recently introduced in the Indian Parliament proposes to amend section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving the Reserve Bank of India the freedom to fix the Statutory Liquidity Ratio below this level. See also "Overview of the Indian Financial Sector—Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act".

Requirements of the Banking Regulation Act

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the Reserve Bank of India within 21 days, explaining the circumstances leading to such appropriation. The Government of India may, on the recommendation of the Reserve Bank of India, exempt a bank from requirements relating to its reserve fund.

Payment of Dividend

Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalized expenses (including preliminary expenses, share selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The Indian government may exempt banks from this provision by issuing a notification on the recommendation of the Reserve Bank of India. We have been exempted from this provision in respect of expenses relating to the Early Retirement Option offered by us in fiscal 2004. We have obtained permission from the Reserve Bank of India to write off these expenses over a five-year period in our Indian GAAP accounts. Further, the payment of the dividend by banks is subject to the eligibility criteria specified by the Reserve Bank of India from time to time.

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 10.0% of total voting rights of all the shareholders of the banking company.

Only banks incorporated before January 15, 1937 can issue preference shares. Prior to the amalgamation, ICICI had preference share capital of Rs. 3.5 billion (US$ 76.2 million). The Government of India, on the recommendation of the Reserve Bank of India, has granted an exemption to ICICI Bank which allows the inclusion of preference capital in the capital structure of ICICI Bank for a period of five years, though ICICI Bank is a bank incorporated after January 15, 1937.

Legislation recently introduced in the Indian Parliament proposes to amend the Banking Regulation Act to remove the limit of 10.0% on the maximum voting power exercisable by an shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares. See also "Overview of the Indian Financial Sector—Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act".

Restrictions on Investments in a Single Company

No bank may hold shares in any company exceeding 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less.

Regulatory Reporting and Examination Procedures

The Reserve Bank of India is empowered under the Banking Regulation Act to inspect a bank. The Reserve Bank of India monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the Reserve Bank of India, banks are required to report to the Reserve Bank of India on aspects such as:

- assets, liabilities and off-balance sheet exposures;

- the risk weighting of these exposures, the capital base and the capital adequacy ratio;
- the unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

The Reserve Bank of India also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. ICICI Bank has been and, at present is also, subject to the on-site inspection by the Reserve Bank of India at yearly intervals. The inspection report, along with the report on actions taken by ICICI Bank, has to be placed before our Board of Directors. On approval by our Board of Directors, we are required to submit the report on actions taken by it to the Reserve Bank of India. The Reserve Bank of India also discusses the report with the management team including the Managing Director & CEO.

The Reserve Bank of India also conducts on-site supervision of selected branches of ICICI Bank with respect to their general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

ICICI Bank is required to obtain prior approval of the Reserve Bank of India before it appoints its chairman and managing director and any other wholetime directors and fixes their remuneration. The Reserve Bank of India is empowered to remove an appointee to the posts of chairman, managing director and wholetime directors on the grounds of public interest, interest of depositors or to ensure the proper management of ICICI Bank. Further, the Reserve Bank of India may order meetings of our Board of Directors to discuss any matter in relation to ICICI Bank, appoint observers to such meetings and in general may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of the shareholders of ICICI Bank to elect new directors. ICICI Bank cannot appoint as a director any person who is a director of another banking company. In July 2004, the Reserve Bank of India issued guidelines on 'fit and proper' criteria for directors of banks.

Penalties

The Reserve Bank of India may impose penalties on banks and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment. A press release has been issued by the Reserve Bank of India giving details of the circumstances under which the penalty is imposed on the bank along with the communication on the imposition of the penalty in public domain. The bank is also required to disclose the penalty in its annual report.

Assets to be Maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and Reserve Bank of India approved securities, even if the bills and the securities are held outside India) are not less than 75.0% of its demand and time liabilities in India.

Restriction on Creation of Floating Charge

Prior approval of the Reserve Bank of India is required for creating floating charge on ICICI Bank's undertaking or property. Currently, all ICICI Bank's borrowings including bonds are unsecured.

Secrecy Obligations

ICICI Bank's obligations relating to maintaining secrecy arise out of common law principles governing its relationship with its customers. ICICI Bank cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;
- where ICICI Bank needs to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

ICICI Bank is also required to disclose information if ordered to do so by a court. The Reserve Bank of India may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings.

Regulations governing Offshore Banking Units

The government and Reserve Bank of India have permitted banks to set up Offshore Banking Units in Special Economic Zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. ICICI Bank has an Offshore Banking Unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai. The key regulations applicable to offshore bank units include, but are not limited to, the following:

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$ 10 million to its offshore banking unit.
- Offshore Banking Units are exempt from cash reserve ratio requirements.
- Reserve Bank of India may exempt a bank's offshore banking unit from statutory liquidity ratio requirements on specific application by the bank.
- An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999.
- All prudential norms applicable to overseas branches of Indian banks apply to Offshore Banking Units.
- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by Reserve Bank of India in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's Board of Directors at prescribed intervals. Further, the bank's board would be required to set comprehensive overnight limits for each currency for these branches, which would be separate from the open position limit of the parent bank.
- Offshore banking units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.
- Offshore banking units may operate and maintain balance sheets only in foreign currency.
- The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations.
- Offshore banking units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

The Special Economic Zone Act 2005 permitted Offshore Banking Units to additionally undertake the following activities:

- Lend outside India and take part in international syndications/consortiums at par with foreign offices.
- Invest in foreign currency denominated debt of Indian units.
- Extend facilities to subsidiaries/units of Indian entities, located outside India.

Regulations and Guidelines of the Securities and Exchange Board of India

The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. ICICI Bank is subject to the Securities and Exchange Board of India regulations for its public capital issuances, as well as its underwriting, custodial, depositary participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for its registration with the Securities and Exchange Board of India for each of these activities, functions and responsibilities. ICICI Bank is required to adhere to a code of conduct applicable for these activities.

Public Financial Institution Status

ICICI was a public financial institution under the Indian Companies Act, 1956. The special status of public financial institutions is also recognized under other statutes including the Indian Income Tax Act, 1961, Sick Industrial Companies (Special Provisions) Act, 1985 and Recovery of Debts Due to Banks and Financial Institutions Act, 1993. ICICI Bank is not a public financial institution. As a public financial institution, ICICI was entitled to certain benefits under various statutes. These benefits included the following:

- For income tax purposes, ICICI's bonds were prescribed modes for investing and depositing surplus money by charitable and religious trusts. Since ICICI Bank is a scheduled bank, its deposits and bonds are also prescribed modes for investment by religious and charitable trusts.
- The Government of India had permitted non-government provident, superannuation and gratuity funds to invest up to 40.0% of their annual accretion of funds in bonds and securities issued by public financial institutions. Further, the trustees of these funds could at their discretion invest an additional 20.0% of such accretions in these bonds and securities. These funds can invest up to only 10.0% of their annual accretion in bonds and securities issued by private sector banks, such as ICICI Bank.
- Indian law provides that a public financial institution cannot, except as provided by law or practice, divulge any information relating to, or to the affairs of, its customers. ICICI Bank has similar obligations relating to maintaining secrecy arising out of common law principles governing its relationship with its customers.
- The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of debt recovery tribunals for recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under this Act, the procedures for recoveries of debt were simplified and time frames were fixed for speedy disposal of cases. Upon establishment of the debt recovery tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances. This Act applies to banks as well as public financial institutions and therefore applies to ICICI Bank.

ICICI's cessation as a public financial institution would have constituted an event of default under certain of ICICI's loan agreements related to its foreign currency borrowings. Prior to the amalgamation becoming effective, such event of default was waived by the respective lenders pursuant to the terms of such foreign currency borrowing agreements.

Special Status of Banks in India

The special status of banks is recognized under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the Securitization Act. As a bank, ICICI Bank is entitled to certain benefits under various statutes including the following:

- The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.
- The Sick Industrial Companies Act, 1985, provides for reference of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under the Act, other than the Board of Directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR.
- The Securitization Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the Securitization Act.

Income Tax Benefits

As a banking company, ICICI Bank is entitled to certain tax benefits under the Indian Income Tax Act including the following:

- ICICI Bank is allowed a deduction of up to 40.0% of its taxable business income derived from the business of long-term financing (defined as loans and advances extended for a period of not less than five years) which is transferred to a special reserve, provided that the total amount of this reserve does not exceed two times the paid-up share capital and general reserves. ICICI Bank is entitled to this benefit because it is a financial corporation. Effective fiscal 1998, if a special reserve is created, it must be maintained and if it is utilized, it is treated as taxable income in the year in which it is utilized.
- ICICI Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5% of ICICI Bank's total business income, computed before making any deductions permitted pursuant to Chapter VIA of the Indian Income Tax Act, and to the extent of 10.0% of the aggregate average advances made by its rural branches computed in the manner prescribed. ICICI Bank has the option of claiming a deduction in excess of the specified limits, for an amount not exceeding the income derived from redemption of securities in accordance with the scheme framed by the Central Government.
- ICICI Bank is entitled to a tax deduction, for income from an offshore banking unit in a special economic zone, at the rate of 100% for a period of five consecutive years beginning with the year in which permission under Banking Regulation Act, 1949 is obtained, i.e., up to March 31, 2008 for OBU in SEEPZ, Mumbai and 50% deduction for a period of five consecutive years thereafter in accordance with and subject to the conditions prescribed therein.
- Subject to application for and receipt of certain approvals, ICICI Bank is eligible to issue tax saving bonds approved in accordance with and subject to the provisions of the Indian Income Tax Act and is also eligible to issue zero coupon bonds in accordance with the applicable guidelines.
- For income tax purposes, ICICI Bank's bonds are prescribed modes of investing and depositing surplus money by charitable and religious trusts subject to and in accordance with the provisions contained therein.

Regulations governing Insurance Companies

ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, the subsidiaries of ICICI Bank offering life insurance and non-life insurance respectively, are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the Insurance Regulatory and Development Authority. These regulations regulate and govern, among other things, registration as an insurance company, investment, solvency margin requirements, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests. In May 2002, the Indian Parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents. The Indian government, while presenting its budget for fiscal 2005, has proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26.0% to 49.0%. However, this would require an amendment to the Insurance Regulatory and Development Authority Act 1999 and has not yet been implemented.

Regulations governing International Operations

Our international operations are governed by regulations in the countries in which we have a presence.

Overseas Banking Subsidiaries

Our wholly-owned subsidiary in the United Kingdom, ICICI Bank UK Limited is authorized by the Financial Services Authority, which granted our application under Part IV of the Financial Services and Markets Act, 2000 on August 8, 2003. Our wholly-owned subsidiary in Canada, ICICI Bank Canada, was incorporated as a Schedule II Bank in Canada. ICICI Bank Canada has obtained the approval of the Canada Deposit Insurance Corporation (CDIC) for deposit insurance and is regulated by the Office of the Superintendent of Financial Institutions. Our wholly-owned subsidiary in Russia, ICICI Bank Eurasia LLC, is regulated by the Central Bank of the Russian Federation.

Offshore Branches

In Singapore, we have an offshore branch, regulated by the Monetary Authority of Singapore. The Singapore branch is allowed to accept foreign currency deposits from Singapore non-bank-residents whose initial deposit is not less than US$ 100,000. The Singapore branch is currently engaged in corporate & institutional banking, private banking and treasury related activities. In Bahrain, we have an offshore branch, regulated by the Central Bank of Bahrain. The Bahrain branch is permitted to transact banking business with approved financial institutions within Bahrain, individuals or institutions outside Bahrain. It is also permitted to offer banking services to non-resident Indians in Bahrain. Our branches in Hong Kong and Sri Lanka, regulated by the Hong Kong Monetary Authority and the Central Bank of Sri Lanka, respectively, are permitted to undertake banking business in those jurisdictions. Our branch in the Dubai International Financial Centre (DIFC) is regulated by the DIFC Financial Services Authority and is licensed to engage in the arrangement of credit or investment and to provide advice on financial products and services.

Representative Offices

Our representative office in New York in the United States is licensed and regulated by the State of New York Banking Department and the Federal Reserve Board. Our representative office in Dubai, United Arab Emirates is regulated by the Central Bank of the United Arab Emirates. Our representative office in Shanghai, China is regulated by the China Banking Regulatory Commission. Our representative office in Bangladesh is regulated by the Bangladesh Bank. Our representative office in South Africa is regulated by the South African Reserve Bank. Our representative office in Malaysia is regulated by Bank Negara Malaysia. Our representative office in Indonesia is regulated by Bank Indonesia. Bank of Thailand regulates our representative office in Thailand.

DESCRIPTION OF THE NOTES

General

ICICI Bank Limited ("**ICICI Bank**"), will issue the notes under an Indenture to be dated on or about January 12, 2007 between ICICI Bank and the Bank of New York, as Trustee. The terms of the notes include those stated in the Indenture.

The following is a summary of the material provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to you. You should read each of the Indenture and the Calculation Agency Agreement in its entirety. Defined terms not otherwise defined in this description have the meaning given to those terms in the Indenture.

The notes

- are unsecured subordinated obligations of ICICI Bank and will rank (i) behind (junior to) the claims of holders of Senior Indebtedness (as defined herein), (ii) *pari passu* with Other *Pari Passu* Claims and (iii) before (senior to) (x) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the notes, (y) the claims of holders of preference and equity shares of ICICI Bank and (z) the claims of investors in other instruments eligible for inclusion in Tier I capital of ICICI Bank, in accordance with the subordination provisions of the Indenture;
- are issued in an aggregate principal amount of US$ 750,000,000; and
- will mature on April 30, 2022 (the "**Maturity Date**").

Interest

Interest will be payable on the outstanding principal amount of the notes from January 12, 2007 (the "**Issue Date**") (i) semi-annually in arrears on April 30 and October 31 of each year, at a fixed rate per annum equal to 6.375%, during the period from (and including) the Issue Date to (but excluding) April 30, 2017, and (ii) thereafter semi-annually in arrears on April 30 and October 31 of each year, at a variable rate per annum equal to the 6-month LIBOR plus a margin of 2.28%. Each such date is an "**Interest Payment Date**". The first payment of interest will be made on April 30, 2007 in respect of the period from (and including) the Issue Date to (but excluding) April 30, 2007.

Each period from and including an Interest Payment Date or the Issue Date, as applicable, to but excluding the next Interest Payment Date until April 30, 2017 is called a "**Fixed Interest Period**". The period from and including April 30, 2017, to, but excluding, the next following Interest Payment Date and each successive period from, and including, an Interest Payment Date to, but excluding, the Maturity Date is called a "**Floating Interest Period**". Each Fixed Interest Period and Floating Interest Period is referred to as an "**Interest Period**". Interest on the notes during each Fixed Interest Period will be computed on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest on the notes during each Floating Interest Period will be computed by multiplying the product of the relevant floating rate of interest and the aggregate principal amount of such notes by the actual number of days elapsed in such Floating Interest Period divided by 360.

If any day on which interest would otherwise be payable is not a Business Day, then the Interest Payment Date will be the next succeeding Business Day unless such day falls in the next relevant calendar month, in which case the Interest Payment Date will be the immediately preceding Business Day. During any Fixed Interest Period, if the Interest Payment Date is the next succeeding Business Day due to the immediately preceding sentence, interest will be payable with the same force and effect as if the payment was made on the original Interest Payment Date, and no additional interest shall accrue on the amount so payable from such date to such next succeeding Business Day.

During the Floating Interest Period, The Bank of New York in its capacity as the calculation agent (the "**Calculation Agent**") will calculate the floating rate and the amount of interest payable on each Interest

Payment Date. Promptly upon such determination, the Calculation Agent will notify ICICI Bank, the holders of the notes and the Singapore Exchange (as defined below) (or any other stock exchange on which the notes are then listed) on or prior to the first day of each Interest Period during the Floating Interest Period, of: (i) the floating rate, (ii) the amount of interest payable and (iii) the Interest Payment Date, in each case relating to the applicable Interest Period, which as determined by the Calculation Agent, absent manifest error, shall be binding and conclusive. "**6-month LIBOR**" means, for each Interest Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a six-month period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the LIBOR Determination Date for such Interest Period. The term "**Telerate Page 3750**" means the display on Telerate, Inc. on page 3750 or any successor service or page for the purpose of displaying the London interbank offered rates of major banks.

The "**LIBOR Determination Date**" for any Interest Period is the second day that is a London Banking Day immediately preceding the first day of such Interest Period. A "**London Banking Day**" means a day other than Saturday or Sunday on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

If a 6-month LIBOR cannot be determined as described above, the Calculation Agent will select four major banks in the London interbank market. The Calculation Agent will request that the principal London offices of those four selected banks provide their offered quotations to prime banks in the London interbank market at approximately 11:00 a.m., London time, on the LIBOR Determination Date for such Interest Period. These quotations will be for deposits in U.S. dollars for a six-month period. Offered quotations must be based on a principal amount equal to an amount that is representative of a single transaction in U.S. dollars in the market at the time.

If two or more quotations are provided, 6-month LIBOR for the applicable Interest Period will be the arithmetic mean of the quotations. If fewer than two quotations are provided, the Calculation Agent will select three major banks in New York City to provide their quoted rates at approximately 11:00 a.m., New York City time, on the LIBOR Determination Date for that Interest Period. The rates quoted will be for loans in U.S. dollars for a six-month period. Rates quoted must be based on a principal amount equal to an amount that is representative of a single transaction in U.S. dollars in the market at the time. If three banks provide quotations, 6-month LIBOR for the applicable Interest Period will be the arithmetic mean of the three quoted rates. If fewer than three New York City banks selected by the Calculation Agent are quoting such rates, 6-month LIBOR for the applicable Interest Period will be the same as for the immediately preceding Interest Period.

The floating rate with respect to each Interest Period will be calculated as promptly as practicable by the Calculation Agent according to the method described above. The 6-month LIBOR rate will be rounded to the nearest hundredth of a percent.

If and to the extent that, on any Interest Payment Date, ICICI Bank has or would have as a result of an interest payment on such date:

- a Capital Deficiency (as defined below), then ICICI Bank shall not pay any principal or interest on such date and (i) with respect to any Interest Payment Date other than the Maturity Date, the interest payable on such date shall be deferred until the next succeeding date on which interest is payable under the notes, and (ii) with respect to the Maturity Date, any interest (including Interest Arrears and Additional Interest (each as defined below)) and principal payable on such date shall be deferred until the Compulsory Payment Date (as defined below); or

- if the impact of interest payment by ICICI Bank results in a Net Loss (as defined below) or increase in Net Loss without a Capital Deficiency, then ICICI Bank shall not pay any principal or interest on such date except that it may pay interest with the prior approval of the RBI and in the event that the RBI does not grant approval for payment of interest (i) with respect to any Interest Payment Date other than the Maturity Date, the interest payable on such date shall be deferred until the next succeeding date on which interest is payable under the notes, and (ii) with respect to the Maturity Date, any interest (including Interest Arrears and Additional Interest (each as defined below)) and principal payable on such date shall be deferred until the Compulsory Payment Date (as defined below).

(each a "**Trigger Event**").

If, as a consequence of a Capital Deficiency or a Net Loss, ICICI Bank shall not pay principal or interest on an Interest Payment Date then, no later than the 5th day prior to the relevant Interest Payment Date, it shall deliver to the Trustee a notice indicating the existence of such Capital Deficiency or Net Loss and that it will as a consequence thereof not pay principal or interest on such Interest Payment Date (a "**Payment Suspension Notice**"). A Payment Suspension Notice will have no force or effect unless ICICI Bank has delivered it to the Trustee in accordance herewith.

Interest on the notes will be cumulative. This means that, if interest is not paid on the notes on any Interest Payment Date, holders of the notes will have the right to receive those interest payments on the next succeeding date on which interest is payable under the notes.

In the event ICICI Bank determines there is a Net Loss without a Capital Deficiency for any Interest Payment Date, ICICI Bank shall apply to the RBI for permission to pay interest which would otherwise be due on such Interest Payment Date. If the RBI grants such permission, notwithstanding any prior delivery of a Payment Suspension Notice in relation to such Interest Payment Date, ICICI Bank shall, subject to compliance with such conditions as may be stipulated by the RBI while granting its approval, proceed to pay the interest due on such Interest Payment Date, either (i) on such Interest Payment Date, if approval from the RBI is received in advance thereof, or (ii) within 1 business day of receipt of the approval from the RBI if such approval is received after the date which is 1 business day prior to the relevant Interest Payment Date.

In the event that any interest in respect of the notes is not paid on an Interest Payment Date (any such amount, "**Interest Arrears**"), such Interest Arrears shall bear interest ("**Additional Interest**") from the Interest Payment Date on which the interest first became due to (and including) the actual date of payment. Additional Interest shall be calculated at the interest rate payable on the notes. Additional Interest accrued to any Interest Payment Date shall be added, for the purpose only of calculating the Additional Interest accruing thereafter, to the amount of Interest Arrears remaining unpaid on such Interest Payment Date.

For purposes of the foregoing,

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks in London, England and New York, New York are open for business.

"**Compulsory Payment Date**" means, in the case of principal and interest (including Interest Arrears and Additional Interest), a date after the Maturity Date following deferral of the payment of principal and interest which is one business day after the first date on which ICICI Bank determines that it has (i) neither a Capital Deficiency nor a Net Loss or (ii) no Capital Deficiency, but a Net Loss or increase in Net Loss and has approval from the Reserve Bank of India to make the payment of principal and interest, provided that any such payment will not cause ICICI Bank to have a Capital Deficiency or in the case of (i) a Net Loss.

"**Capital Deficiency**" means, for any Interest Payment Date, that ICICI Bank determines that its capital to risk assets ratio ("**CRAR**") has declined below the minimum regulatory requirement prescribed by the RBI from time to time, (i) as at the immediately preceding March 31 in the case of the Interest Payment Date in April and (ii) as at the immediately preceding September 30 in the case of the Interest Payment Date in October.

"**Net Loss**" means, for any Interest Payment Date, a determination made by ICICI Bank as per (a) unconsolidated Indian GAAP financial statements that it has either (i) a negative balance reported in the balance in the profit and loss account line item in its Balance Sheet, or (ii) a net loss reported in its profit and loss account, as at and for the 12 month period ended on the immediately preceding March 31 in the case of the Interest Payment Date in April or as at and for the six month period ended on the immediately preceding September 30 in the case of the Interest Payment Date in October, or (b) regulations or guidelines prescribed by Reserve Bank of India from time to time in this regard. In case of any conflict between the determination made under (a) and (b) hereinabove, the determination made under (b) shall prevail.

Dividend and Capital Restriction

So long as any Interest Arrears or Additional Interest thereon remain unpaid, ICICI Bank will not (i) other than to the holders of Existing Preference Shares to the extent permissible and subject to prevailing Indian laws, declare or pay any dividend, distribution or other payment in respect of its Ordinary Shares, any other security or obligation of ICICI Bank ranking junior to the notes, or any Other *Pari Passu* Claims (other than as required under the terms of any preference shares or other security or obligation ranking junior to the notes (but not including Ordinary Shares) or Other *Pari Passu* Claims), or (ii) other than as required under the terms of such security or obligation, effect any repurchase or redemption of any of its Ordinary Shares, any other security or obligation of ICICI Bank ranking junior to the notes or any Other *Pari Passu* Claims (or contribute any moneys to a sinking fund for the redemption of any such shares, securities or claims).

"**Other *Pari Passu* Claims**" means claims of creditors of ICICI Bank which are subordinated so as to rank *pari passu* with claims in respect of the notes.

"**Ordinary Shares**" means ordinary shares of ICICI Bank.

"**Existing Preference Shares**" means the three hundred fifty 0.001% preference shares of Rs. 10,000,000 each of ICICI Bank allotted as fully paid preference shares to preference shareholders of erstwhile ICICI Limited redeemable at par on April 20, 2018.

Additional Amounts

All payments of principal and interest in respect of the notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, or other governmental charges of any nature (referred to collectively as "taxes") imposed or levied by or on behalf of a Taxing Jurisdiction unless the withholding or deduction is required by law. In the event that ICICI Bank is required by law to withhold or deduct amounts for any such taxes, except as provided below, ICICI Bank will pay such additional amounts ("**Additional Amounts**") as shall be required so that the net amount received by each holder of notes after the withholding or deduction will be the same as the amount then due and payable to each holder of notes in the absence of such withholding or deduction. However, ICICI Bank will not be required to pay Additional Amounts in connection with any taxes imposed due to any of the following:

(i) the holder or the beneficial owner of the notes has some connection with a Taxing Jurisdiction, other than merely holding the notes, receiving interest payments on the notes or enforcement of such notes (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within a Taxing Jurisdiction);

(ii) any tax imposed on, or measured by, net income of the holder or beneficial owner of the notes;

(iii) the holder's or the beneficial owner's failure to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with a Taxing Jurisdiction, if (1) compliance is required by applicable law (but not including treaties), regulation or administrative practice as a precondition to exemption from all or a part of the taxes, (2) the holder or the beneficial owner is able to comply with those requirements without undue hardship and (3) ICICI Bank has given all holders at least 30 days' prior written notice before any such withholding or deduction that they will be required to comply with such requirements;

(iv) the holder's failure to surrender (where surrender is required) its Note within 30 days after ICICI Bank has made available to the holder a payment of principal or interest, provided that ICICI Bank will pay Additional Amounts to which a holder would have been entitled had such Note been surrendered on any day (including the last day) within such 30-day period;

(v) any estate, inheritance, gift, transfer, capital gains, excise, value-added, use or sales taxes or similar taxes, assessments or other government charges;

(vi) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive;

(vii) where the holder who presents a Note for payment (where presentation is required) would be able to avoid such withholding or deduction by presenting the Note elsewhere in a member state of the European Union; or

(viii) any combination of the above items.

Nor will additional amounts be paid with respect to any payment on a Note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of a Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the additional amounts had it been the holder.

"**Relevant Date**" means the date on which the payment of principal or interest first becomes due.

"**Taxing Jurisdiction**" means India, or any political subdivision thereof or any authority or agency therein or thereof having the power to tax, or any other jurisdiction or any political subdivision or any authority or agency therein or thereof having the power to tax which ICICI Bank becomes subject in respect of payments made by it of principal or interest on the notes.

Notwithstanding the foregoing, ICICI Bank will pay any stamp, administrative, court, documentary, excise or property taxes imposed on the initial issuance and delivery of the notes in a Taxing Jurisdiction and will indemnify the holders of the notes for any such taxes paid by the holders of the notes, excluding any such duties or taxes which may relate to any transfer or transmission of the notes following their initial issuance and delivery.

Each reference herein to payments in respect of the notes shall be deemed to include Additional Amounts, if any.

Any Additional Amounts paid by ICICI Bank through India would be subject to the regulations of the RBI.

Final Redemption

Unless previously redeemed or purchased and cancelled as specified below, each note will be redeemed by ICICI Bank at its principal amount plus Accrued Interest (if any) and Additional Amounts (if any) on the Maturity Date, subject to the conditions herein.

Optional Redemption

The Notes are not redeemable at the option of the holders thereof at any time and are not redeemable at the option of ICICI Bank prior to April 30, 2017 (the "**First Call Date**"), except in certain circumstances in the event of certain changes in withholding taxes (see "—Optional Tax Redemption") or upon the occurrence of a Regulatory Event (see "—Redemption Upon a Regulatory Event").

The notes may be redeemed at the option of ICICI Bank, in whole (and not in part), on the First Call Date or on any subsequent Interest Payment Date; *provided* that ICICI Bank will give notice to holders of notes and the Trustee not less than 15 business days but not more than 30 business days prior to any such redemption. This notice shall be published in accordance with the notice provisions described under "Description of the Notes—Notices".

The redemption price for any redemption of the notes will be 100% of the principal amount of the notes then outstanding, plus Interest Arrears (if any) and Additional Interest (if any) on the principal amount being redeemed to (but excluding) the redemption date (the "**Base Redemption Price**").

Any optional redemption of notes is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI. The RBI, while considering the request of ICICI Bank to so redeem the notes, may take into consideration, amongst other things, ICICI Bank's CRAR position both at the time of the proposed redemption and thereafter.

Optional Tax Redemption

The notes may be redeemed at any time, but subject to approval by the Reserve Bank of India, at the option of ICICI Bank, in whole, but not in part, upon not less than 30 but not more than 60 days prior notice to the holders of the notes, at a redemption price equal to the Base Redemption Price, if (i) as a result of any change in, or amendment to, the laws of a Taxing Jurisdiction or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings (and which change or amendment, if India is the Taxing Jurisdiction must increase the rate of withholding above the current rate of 20% (plus applicable surcharge and cess)), which change or amendment becomes announced on or after the date of this offering memorandum (or, if the person formed by a consolidation, merger, conveyance or transfer or which is substituted as the issuer is not organized or resident in India for tax purposes, or if a branch which is substituted as the issuer is subject to tax in a Taxing Jurisdiction other than India, on or after the date of such consolidation, merger, conveyance, transfer or substitution), ICICI Bank is or would be obligated on the next succeeding due date for a payment with respect to the notes to pay additional amounts with respect to the notes and (ii) such obligation cannot be avoided by ICICI Bank taking reasonable measures available to ICICI Bank, which may include changing the jurisdiction from which or through which payments are made. In the event ICICI Bank does not receive from the Reserve Bank of India the requested approval to redeem the notes in accordance with this provision, ICICI Bank will seek regulatory approval (as may be required) to have the liability to pay the amounts due under the terms of the notes transferred to a substitute entity or branch (see "Description of the Notes— Substitution of Entity or Branch"), if, as a result of such transfer, ICICI Bank would avoid the obligation to pay such additional amounts. Prior to any redemption of the notes, the Indenture requires that ICICI Bank deliver to the trustee an opinion of tax counsel of recognized standing to the effect that such change or amendment has occurred, and an officer's certificate stating that ICICI Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred. No notice of redemption may be given earlier than 90 days prior to the earliest date on which ICICI Bank would be obligated to pay additional amounts if a payment in respect of the notes were then due.

Redemption upon a Regulatory Event

Upon the occurrence of a Regulatory Event, and subject to the conditions set forth below, ICICI Bank, upon the receipt of prior permission from the RBI, will have the right to redeem the notes in whole (and not in part) at a redemption price equal to (A) in the case of redemption prior to April 30, 2017, the higher of the Base Redemption Price and the Make Whole Amount, or (B) in the case of a redemption on or after April 30, 2017, the Base Redemption Price.

"**Regulatory Event**" means the receipt by ICICI Bank of an opinion, declaration, rule or decree of the RBI or any other regulatory or governmental authority succeeding to the authority of the RBI as regards monitoring of capital adequacy of Indian banks, to the effect that there has been either (i) a change in the law or regulation or (ii) a change in the interpretation thereof, resulting in more than an insubstantial risk that the notes (or any portion thereof) will not be eligible to be included in calculating the Upper Tier II capital of ICICI Bank, other than as a result of such notes exceeding the permitted basket for notes eligible for inclusion as Upper Tier II capital.

"**Make Whole Amount**" means an amount, as applied to any date of redemption of the notes as a result of a Regulatory Event, equal to the sum of (i) the present value of the outstanding principal amount of the notes, assuming a repayment thereof on the First Call Date, plus (ii) the present value of the remaining payments of interest scheduled to be paid to and including the First Call Date, in each case discounted from the relevant Interest Payment Date to the redemption date on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed, at the applicable Treasury Yield plus the Applicable Spread.

For purposes of this foregoing definition, the applicable "**Treasury Yield**" shall be calculated as follows:

ICICI Bank will select a leading independent, international investment bank (an "**Independent Financial Institution**"), as approved in writing by the Trustee. The Independent Financial Institution, in consultation with ICICI Bank, will appoint three or more other primary U.S. Government securities dealers in New York City (each a "**Primary Treasury Dealer**") or their respective successors as reference dealers, provided, however, that if any such dealer ceases to be a Primary Treasury Dealer, the Independent Financial Institution will (in consultation with ICICI Bank) substitute such dealer with another Primary Treasury Dealer. The Independent Financial Institution will select a United States Treasury security having a maturity comparable to the time period between the redemption date and the First Call Date (the "**Make Whole End Date**"), which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to the Make Whole End Date. The reference dealers will provide the Independent Financial Institution with the bid and asked prices for that comparable United States Treasury security as of 5:00 p.m. New York City time on the fifth Business Day before the redemption date. The Independent Financial Institution will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The Independent Financial Institution will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; provided, however, that if the Independent Financial Institution obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the "comparable treasury price". The applicable Treasury Yield will be determined by the Independent Financial Institution and will be the annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount. The "**Applicable Spread**" shall mean 30 basis points if the notes are redeemed on or before April 30, 2017.

Any redemption of notes upon the occurrence of a Regulatory Event is subject to compliance with applicable regulatory requirements, including the prior approval of the RBI.

Status and Subordination

Status and Subordination of the Notes

The notes are contractually subordinated to Senior Indebtedness of ICICI Bank. The payment obligations of ICICI Bank under the notes constitute unsecured subordinated obligations of ICICI Bank.

The claims of the holders of the notes for payment by ICICI Bank under the notes will rank:

(i) behind (junior to) the claims of holders of Senior Indebtedness;

(ii) *pari passu* with Other *Pari Passu* Claims; and

(iii) before (senior to) (x) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the notes, (y) the claims of holders of preference shares and Ordinary Shares of ICICI Bank and (z) the claims of investors in instruments eligible for inclusion in Tier I capital of ICICI Bank.

The debt evidenced by the notes is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment of all existing and future Senior Indebtedness. The subordination provisions are for the benefit of and enforceable by the holders of Senior Indebtedness of ICICI Bank.

"**Senior Indebtedness**" means all deposits and other senior liabilities of ICICI Bank (including those in respect of bonds, notes and debentures) and debt instruments constituting "lower Tier II" capital of ICICI Bank from time to time, other than liabilities of ICICI Bank under the notes. For the avoidance of doubt, Senior Indebtedness shall not include any other debt securities of ICICI Bank which qualify for Upper Tier II treatment under the RBI guidelines.

Interest and Principal Payments

The Indenture will require that payments of interest and principal in respect of the notes evidenced by the Global notes shall be made by ICICI Bank directly or through any paying agent by wire transfer of immediately available funds to the account specified by the holder of the relevant Global Note.

Without prejudice to the foregoing, all amounts due on the notes will be subject to any fiscal or other laws and regulations in the place of payment.

Consolidation, Merger or Sale of Assets

ICICI Bank will not, without the consent of holders holding no less than 66⅔% in aggregate principal amount of the notes outstanding, consolidate with or merge with or into any person, or convey or transfer substantially all of its properties and assets to any other person unless thereafter:

(i) the person formed by such consolidation or into which ICICI Bank is merged, or the person which acquires all or substantially all of ICICI Bank's properties and assets, expressly assumes the due and punctual payment of the principal of and interest on all the notes and the performance or observance of every covenant of the indenture on ICICI Bank's part to be performed or observed (including, if such person is not organized in or a resident of India for tax purposes, substituting such person's jurisdiction of organization or residence for tax purposes for India, including for the obligation to pay Additional Amounts);

(ii) immediately after giving effect to such transaction, no Default (as defined below) has occurred and is continuing; and

(iii) the person formed by such consolidation or into which ICICI Bank is merged, or the person which acquires all or substantially all of ICICI Bank's properties and assets delivers to the Trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and, if a supplemental indenture is required in connection with the transaction, the supplemental indenture comply with the indenture and that all conditions precedent in the indenture relating to the transaction have been complied with, except that such certificate and opinion shall not be required in the event any such consolidation, merger, conveyance or transfer is made by order of any court or tribunal having jurisdiction over ICICI Bank, ICICI Bank's assets or properties.

Defaults; Limitation of Remedies

A "**Default**" occurs if ICICI Bank fails to pay the full amount of principal or interest (including any Additional Amounts, Interest Arrears and Additional Interest in respect thereof) due on the notes on any Interest Payment Date, the First Call Date or the Maturity Date, as the case may be, and such failure continues for a period of 14 days. For the avoidance of doubt, any such non-payment of principal or interest shall not constitute a Default if (i) a Trigger Event has occurred and is continuing at such time as the payment first becomes due, and (ii) a Payment Suspension Notice has been sent to the Trustee in accordance with "*Interest*".

Consequences of a Default

If a Default occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate in principal amount of all the notes, by written notice to ICICI Bank (and to the Trustee if the notice is given by the holders), may, and the Trustee at the request of such holders shall, subject to it receiving an indemnity satisfactory to it from the holders, institute proceedings to obtain the payment of the amounts due or compliance with the defaulted covenant or agreement or to obtain the bankruptcy of ICICI Bank (or any analogous proceeding which may be available from time to time under the laws of the jurisdiction concerned).

The holders of a majority in aggregate in principal amount of all the notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the limitations specified in the Indenture. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the notes, unless:

(i) the holder has previously given to the Trustee written notice of a continuing Default;

(ii) holders of at least 25% in aggregate in principal amount of all the notes have made a written request to the Trustee to institute proceedings in respect of the Default in its own name as Trustee under the Indenture;

(iii) holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against any costs, losses, liabilities or expenses that may be incurred in compliance with such request;

(iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(v) during such 60-day period, the holders of a majority in aggregate in principal amount of all the notes of the outstanding notes have not given the Trustee a direction that is inconsistent with such written request;

it being understood and intended that no one or more holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holders, or to obtain or to seek to obtain priority or preference over any other holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all the holders.

If any Default occurs and is continuing and is known to the Trustee, the Trustee will send notice of the Default to each holder within 90 days after it occurs, unless the Default has been cured.

Meeting of Holders, Amendments and Waivers

Amendments without Consent of Holders

ICICI Bank and the Trustee may amend or supplement the Indenture or the notes without notice to or the consent of any holder of notes:

(i) to cure any ambiguity, to correct or supplement any provision of the Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture;

(ii) to comply with the provisions relating to consolidation, merger and sale of assets in the Indenture;

(iii) to evidence and provide for the acceptance of appointment by a successor trustee; or

(iv) to make any other change that shall not adversely affect the interests of the holders in any material respect.

Amendments with Consent of Holders

Except as otherwise provided in *"Amendments without Consent of Holders"* or the following paragraph, ICICI Bank and the Trustee may amend or supplement the Indenture and the notes with the written consent of the holders of a majority of principal amount of all the notes then outstanding and the holders of a majority of principal amount of all the notes then outstanding may waive future compliance by ICICI Bank with any provision of the Indenture or the notes.

Without the consent of each holder of notes affected, an amendment, supplement or waiver may not

(i) reduce the principal amount of any Note,

(ii) change the time of payment of any principal or interest or reduce the rate of any interest payment on any Note,

(iii) reduce the amount payable upon the redemption of any Note or change the times at which any Note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed,

(iv) change the obligation of ICICI Bank (or its successor) to pay Additional Amounts, Interest Arrears, Additional Interest and interest, if any,

(v) make any Note payable in money other than that stated in the Note,

(vi) impair the right of any holder of notes to receive any principal payment or interest payment on such holder's notes, on or after the applicable Interest Date thereof, or to institute suit for the enforcement of any such payment,

(vii) make any change in the percentage of the aggregate principal amount of the notes required for amendments or waivers, or

(viii) modify or change any provision of the Indenture affecting the ranking of the notes in a manner adverse to the holders of the notes.

Neither ICICI Bank nor any of its subsidiaries or affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the notes unless such consideration is offered to be paid or agreed to be paid to all holders of the notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

Concerning the Trustee

The Bank of New York is the Trustee under the Indenture.

Except during the continuance of a Default, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case a Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

ICICI Bank and its affiliates may from time to time enter into normal banking and trustee relationships with the Trustee and its affiliates in the ordinary course of business.

The Trustee and its affiliates may hold notes in their own names, subject to the conditions hereof.

Reports to Trustee

ICICI Bank will deliver to the Trustee as soon as possible and in any event within 30 days after ICICI Bank becomes aware or should reasonably become aware of the occurrence of a Default or an event which, with notice or the lapse of time or both, would constitute a Default, an Officer's Certificate setting forth the details of such Default, and the action which ICICI Bank proposes to take with respect thereto.

Listing and Trading

Approval-in-principle has been obtained for listing of the notes on the Singapore Exchange. The approval-in-principle for the listing, and the admission to the Official List of the Singapore Exchange, of the notes is not to be taken as an indication of any of the merits of ICICI Bank or the merits of the notes. The notes will be traded on the Singapore Exchange in a minimum board lot size of US$ 200,000 for so long as the notes are listed on the Singapore Exchange.

Substitution of Entity or Branch

ICICI Bank may at any time, subject to any regulatory approvals as may be required, elect to have the liability to pay the amounts due under the terms of the notes transferred, in whole or in part, to an entity controlled by ICICI Bank or a branch of ICICI Bank other than the Issuer. Any such transfer to an entity might be deemed for U.S. federal income tax purposes to be an exchange of the notes for new notes by the holders thereof, resulting in the recognition of taxable gain or loss for such purposes and possibly certain other adverse tax consequences.

Notices

Where the Indenture requires notice to the holders of the notes, such notice will be given by the Trustee by (unless the Indenture specifies otherwise):

- first class mail, postage prepaid, to the address of each holder of the notes as it appears in the notes register;
- publication in English on a business day in a leading newspaper having general circulation in the Borough of Manhattan, The City of New York; and
- so long as the notes are listed on the Singapore Exchange and the rules of that exchange so require, publication in English in a leading newspaper of general circulation in Singapore (which is expected to be the *Straits Times*) or, if that is not practicable, in another English-language daily newspaper of general circulation in Singapore.

Notice will be deemed to have been validly given on the date of mailing or first publication in all the required newspapers, as the case may be. If the publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Paying Agent; Registrar; Calculation Agent

The initial Paying Agent and Registrar for the notes will be The Bank of New York, which is located at 101 Barclay Street, Floor 21 West, New York, New York 10286, U.S.A. The initial Calculation Agent for the notes will be The Bank of New York, London Branch, 48th Floor, One Canada Square, London E14 5AL, United Kingdom. ICICI Bank reserves the right at any time to vary or terminate the appointment of the Paying Agent, the Registrar or the Calculation Agent and/or to appoint another Paying Agent, Registrar or Calculation Agent.

ICICI Bank has undertaken to the Singapore Exchange that if the Global notes are exchanged for notes in certificated form, unless it obtains an exemption from the Singapore Exchange, it shall (so long as the notes are listed on the Singapore Exchange) (a) appoint a paying agent in Singapore and (b) promptly make an announcement to the Singapore Exchange and include in such announcement all material information in relation to such exchange and details of the Singapore paying agent.

Governing Law

The Indenture, the notes and the Calculation Agency Agreement will be governed by the laws of the State of New York, except that the subordination provisions of the Indenture and the notes will be governed by the laws of India.

Consent to Service

The Indenture provides that ICICI Bank appoints its New York Representative Office at 500 Fifth Avenue, Suite 2830, New York, New York 10110, U.S.A., as it agent to receive on its behalf service of copies of the summons and complaints and any other process which may be served in any suit, action or proceeding arising out of or relating to the Indenture, the Calculation Agency Agreement, the notes or the transactions contemplated therein brought in such New York state or federal court sitting in the City of New York.

Prescription

Under New York law, claims relating to payment of principal and interest on the notes will be prescribed according to the later of the applicable statute of limitations or not less than ten years (in the case of principal) and five years (in the case of interest).

FORM, DENOMINATION AND TRANSFER

Book-Entry; Delivery and Form

The notes will be issued in registered form without interest coupons. No notes will be issued in bearer form.

Notes of each tranche offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act, or "restricted notes," will be issued in minimum denominations of US$ 100,000 and integral multiples of US$ 1,000 in excess thereof. The restricted notes will initially be represented by one or more permanent global notes in definitive, fully registered book-entry form that will be registered in the name of DTC or its nominee and deposited with the trustee, as custodian for DTC, for credit to the accounts of direct or indirect participants in DTC as described below. We refer to these global notes collectively as the "Restricted Global Notes."

Notes of each tranche offered and sold in reliance on Regulation S, or "Regulation S Notes," will be issued in minimum denominations of US$ 100,000 and integral multiples of US$ 1,000 in excess thereof. The Regulation S notes of each tranche will initially be represented by a single permanent global note for such tranche in definitive, fully registered book-entry form that will be registered in the name of DTC or its nominee and deposited with the trustee, as custodian for DTC, for credit to the accounts of direct or indirect participants in DTC as described below. We refer to these global notes as the "Regulation S Global Notes" and to the Restricted Global notes and the Regulation S Global notes collectively as the "global notes."

Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "distribution compliance period"), beneficial interests in the Regulation S Global notes may be held only through Euroclear and Clearstream, Luxembourg (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global notes may not be exchanged for beneficial interests in the Regulation S Global notes at any time except in the limited circumstances described below. See "—Exchanges and Transfers Between Regulation S notes and Rule 144A notes and Other notes."

Owners of beneficial interests in a global note will be entitled to receive physical delivery of certificated notes only in the circumstances described under "—Exchange of Book-Entry Notes for Certificated Notes" below.

Transfer of Notes

Each note will be subject to certain restrictions on transfer set forth therein as described under "—Exchanges and Transfers Between Regulation S notes and Rule 144A notes and Other notes" and "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC, Euroclear and Clearstream, Luxembourg, as the case may be, which may change at any time.

If we issue notes of any tranche in certificated form, those notes may be transferred or exchanged in whole or in part only in authorized denominations upon surrender of the note to be transferred or exchanged, together with a duly executed instrument of transfer or exchange in form satisfactory to us and the trustee, as note registrar, or any transfer agent, at the specified office of the note registrar or of any transfer agent. So long as any tranche of notes are listed on the Singapore Exchange and the rules of that exchange so require, we will maintain a transfer agent in Singapore. Each time that we transfer or exchange a note of any tranche for a note in certificated form, and after the note registrar or transfer agent receives the instrument of transfer or exchange and all other required documents, we will make available for delivery the new certificated note of such tranche at the office of the note registrar or the applicable transfer agent. Alternatively, at the option of the person requesting the transfer or exchange, we will mail, at that person's risk, the new certificated note of such tranche to the address of the person specified in the instrument of transfer.

No service charge will be required for any registration of transfer or exchange of the notes, but the note registrar may require payment of a sum sufficient to cover any tax or other governmental charge in connection therewith, other than any such tax or governmental charge payable in connection with an exchange described in the first paragraph under "—Exchange of Book-Entry notes for Certificated notes" not involving any transfer.

Depository Procedures

The description of the clearing systems in this section reflects our understanding of the rules and procedures of DTC, Euroclear and Clearstream, Luxembourg as they are currently in effect. DTC, Euroclear and Clearstream, Luxembourg and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to you to perform or continue to perform these procedures and may modify them or discontinue them at any time.

The Depository Trust Company

Book-entry interests in the Restricted Global notes will be shown on, and transfers of these interests will be made only through, records maintained by DTC and its participants. DTC has provided us with the following information: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its direct participants deposit with DTC. DTC also records the settlements among direct participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for direct participants' accounts. This eliminates the need to exchange certificated securities. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC's book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to DTC and its participants are on file with the SEC.

DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, LLC. and the National Association of Securities Dealers, Inc.

DTC will keep a computerized record of its participants whose clients have purchased interests in the Restricted Global Note of any tranche. Each participant will then keep a record of its clients. Unless the Restricted Global Note of such tranche is exchanged in whole or in part for a certified note or notes or for an interest in the Regulation S Global Note of such tranche, such Restricted Global Note may not be transferred. DTC, its nominees and their successors may, however, transfer such Restricted Global Note in whole to one another.

When you purchase interests in the Restricted Global notes of a tranche through the DTC system, the purchases must be made by or through a direct participant, which will receive for the interests on DTC's records. When you purchase interests in the notes of such tranche, you will become their beneficial owner. Your ownership interest will be recorded only on the direct or indirect participants' records. DTC will have no knowledge of your individual ownership of interest. DTC's records will show only the identity of the direct participants and the amount of the notes held by or through them. You will not receive a written confirmation of your purchase or sale or any periodic account statement directly from DTC. You should instead receive these from your direct or indirect participant. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers. The trustee will wire payments of principal and interest on the notes to DTC or its nominee. We and the trustee will treat DTC or its nominee as the owner of the Restricted Global notes representing the restricted notes of a tranche for all purposes. Accordingly, we, the trustee and the applicable paying agent will have no direct responsibility or liability to pay amounts due on the Restricted Global notes representing the notes to you or any other beneficial owners in the Restricted Global notes. Any redemption notices will be sent by us or the trustee to DTC, which will, in turn, inform the direct participants (or the indirect participants), which will then contact you as a beneficial holder.

It is DTC's current practice, upon receipt of any payment of principal or interest, to proportionately credit direct participants' accounts on the payment date based on their holdings. In addition, it is DTC's current practice to pass through any consenting or voting rights to such participants by using an omnibus proxy. Those participants will, in turn, make payments to and solicit votes from you, the ultimate beneficial owner of the notes, based on their customary practices. Payments to you will be the responsibility of the participants and not of DTC, the trustee or our company.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg will record the ownership interests of their participants in much the same way as DTC.

Clearstream, Luxembourg advises that it is incorporated under the laws of Luxembourg as a bank. Clearstream, Luxembourg will facilitate the clearance and settlement of securities transactions between its customers through electronic book-entry transfers between their accounts. Clearstream, Luxembourg will provide to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg will interface with domestic securities markets in over 30 countries through established depository and custodial relationships. As a bank, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector, also known as the Commission de Surveillance du Secteur Financier and the Luxembourg Central Bank. Customers of Clearstream, Luxembourg are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. US customers of Clearstream, Luxembourg are limited to securities brokers and dealers and banks. Indirect access to Clearstream, Luxembourg is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg customer.

Euroclear advises that it was created in 1968 and that it will clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear will provide various other services, including securities lending and borrowing and interfacing with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V., which we refer to as the "Euroclear Operator," under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation, which we refer to as the "Cooperative." All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchasers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

We have no responsibility for any aspect of the actions or the records kept by DTC, Euroclear or Clearstream, Luxembourg, or any of their direct or indirect participants. We also do not supervise these systems in any way and urge investors to contact the system of their participants directly to discuss these matters.

Holding of the Notes through DTC, Euroclear and Clearstream, Luxembourg

Investors in the Restricted Global Note of a tranche may hold their interests therein directly through DTC, if they are direct participants in such system, or through direct or indirect participants in such system. Investors in the Regulation S Global Note of a tranche will hold their interests therein through Euroclear or Clearstream, Luxembourg if they are accountholders in such systems, or indirectly through organizations that are accountholders in such systems. All interests in a global note may be subject to the procedures and requirements of DTC, Euroclear or Clearstream.

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited to that extent. Because DTC can act only on behalf of the participants, which in turn act on behalf of the indirect participants and certain banks, the ability of a person having beneficial interests in the Restricted Global Note to pledge those interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of those interests, may be affected by the lack of a physical certificate evidencing those interests.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

On or after the Closing Date, transfers of notes between accountholders in Euroclear and Clearstream, Luxembourg and transfers of notes between participants in DTC will generally have a settlement day three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will be effected in accordance with their respective rules and will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant global note will be effected through the paying agent, the custodian and the note registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interest being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal if the interest in the relevant global note resulting in such transfer and (ii) two business days after receipt by the paying Agent or the note registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear and Clearstream, Luxembourg accountholders and DTC participants cannot be made on delivery versus payment basis. The notes will be delivered on a free delivery basis and arrangements for payment must be made separately.

We expect that DTC, Euroclear and Clearstream, Luxembourg will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange) only at the direction of the participants to whose accounts interest in the applicable global notes are credited and only in respect of the aggregate principal amount of notes as to which such participant has given such direction. However, if any of the events described in the first two paragraphs of “Exchange of Book-Entry Notes for Certificated Notes” occurs, DTC, Euroclear and Clearstream, Luxembourg reserve the right to exchange the applicable global note for definitive notes in certificated form and to distribute those notes to participants with the legends set forth under “Transfer Restrictions”.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Exchange of Book-Entry Notes for Certificated Notes

The Restricted Global Note of any tranche is exchangeable for definitive notes of such tranche in registered certificated form if:

- we advise the trustee in writing that (1) DTC is unwilling or unable to continue as depository for the global notes of such tranche or (2) DTC has ceased to be a clearing agency registered under the Exchange Act and, in either case, we are unable to appoint a qualified successor within 90 days after notice from DTC or, if applicable, after we become aware that DTC has ceased to be a registered clearing agency,
- we, at our option, elect to cause the issuance of the notes of such tranche in certificated form, or
- after the occurrence and during the continuation of a default or an event of default with respect to the notes of such tranche, DTC or beneficial owners holding interests representing an aggregate principal amount of more than 50% of the notes of such tranche represented by the Restricted Global Note so advise the trustee in writing.

The Regulation S Global Note of any tranche is exchangeable for definitive notes of such tranche in registered certificated form if:

- we advise the trustee in writing that Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or has announced an intention permanently to cease business, or
- after the occurrence and during the continuation of a default or an event of default with respect to such tranche of notes, Euroclear or Clearstream, Luxembourg or beneficial owners holding interests representing an aggregate principal amount of notes of such tranche of more than 50% of the notes represented by the Regulation S Global Note so advise the trustee in writing; provided, that in no event shall the Regulation S Global Note of such tranche be exchanged for notes of such tranche in definitive form prior to the expiration of the distribution compliance period.

After the expiration of the distribution compliance period, any noteholder may exchange its beneficial interests in global notes of any tranche in whole or in part for certificated notes of such tranche of like principal amount in authorized denominations registered in the name of that noteholder, or may transfer beneficial interests in global notes of such tranche to a person that wishes to take delivery thereof in the form of certificated notes of such tranche registered in the name of that person. In order to effect such an exchange or transfer for certificated notes of any tranche, a noteholder must cause prior written notice to be sent to the trustee by or on behalf of DTC, Euroclear and Clearstream, Luxembourg and, if any global note of such tranche is being exchanged or transferred in whole, must cause such global note to be surrendered to the office or agency, we must maintain for that purpose in accordance with the indenture.

In all the above cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC, Euroclear, Clearstream, Luxembourg (in accordance with their customary procedures) and will bear, in the case of the Restricted Global Note, the restrictive legend described in "Transfer Restrictions" unless we determine otherwise in compliance with applicable law.

Exchanges and Transfers Between Regulation S Notes and Rule 144A Notes and Other Notes

Prior to the expiration of the distribution compliance period, a beneficial interest in the Regulation S Global Note of any tranche may be transferred to a person who takes delivery in the form of an interest in the corresponding Restricted Global Note only upon receipt by the note registrar of a written certification from the transferor to the effect that such transfer is being made (1)(a) to a person whom the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in accordance with

Rule 144 under the Securities Act (if available) or (c) pursuant to another exemption from the registration requirements under the Securities Act, accompanied by an opinion of counsel regarding the availability of such exemption, and (2) in accordance with all applicable securities laws of the states of the United States or other jurisdictions. We refer to such a certificate as a "restricted notes certificate."

Beneficial interests in the Restricted Global Note of any tranche may be transferred to a person who takes delivery in the form of an interest in the relevant Regulation S Global Note, whether before or after the expiration of the distribution compliance period, only if the transferor first delivers to the note registrar a written certificate to the effect that (1) such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (if available), (2) such transfer is being made in accordance with all applicable securities laws of the states of the United States and other jurisdictions and (3) if such transfer occurs prior to the expiration of the distribution compliance period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg. We refer to such a certificate as a "Regulation S certificate."

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that other global note.

In addition, restricted notes that are held in certificated form may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note of any tranche only if the transferor first delivers to the note registrar a restricted notes certificate. Restricted notes that are held in certificated form may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note of any tranche only if the transferor first delivers to the note registrar a Regulation S certificate.

A note may be transferred to a person who takes delivery in the form of an interest in a restricted note in certificated form only if the transferor first delivers to the note registrar a restricted notes certificate.

In connection with a transfer of beneficial interests in one global note for beneficial interests in another global note, of notes in certificated form for beneficial interests in a global note or of beneficial interests in a global note for notes in certificated form, DTC, Euroclear or Clearstream, Luxembourg or the note registrar may require that the transferor deliver a written order in accordance with the applicable rules and procedures of DTC, Euroclear or Clearstream, Luxembourg containing information regarding the participant's account to be credited with a beneficial interest in the applicable global note and/or the participant's account to be debited in an amount equal to the beneficial interest in the global note being transferred, as the case may be.

Upon the transfer, exchange or replacement of certificated notes bearing a restrictive legend described in "Transfer Restrictions," or upon specific request for removal of the legend on a certificated note, we will deliver only notes that bear that legend, or will refuse to remove that legend, as the case may be, unless (1) such notes are otherwise sold under an effective registration statement under the Securities Act, (2) those notes are issued upon transfer or exchange of Regulation S notes after the expiration of the distribution compliance period, or (3) there is delivered to us such satisfactory evidence as we may reasonably require, which may include an opinion of counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this offering memorandum are to be regarded as advice on the tax position of any holder of notes or of any person acquiring, selling or otherwise dealing in securities or on any tax implications arising from the acquisition, sale or other dealings in notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in notes) may be subject to special rules.

Prospective purchasers of notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of notes, including the effect of any state or local taxes, under the tax laws of India, the United States and each country of which they are residents or countries of purchase, holding or disposition of notes. Additionally, in view of the number of different jurisdictions where local laws may apply, this offering memorandum does not discuss the local tax consequences to a potential holder, purchaser or seller arising from the acquisitions, holding or disposition of the notes, other than in respect of certain US tax consequences discussed below. Prospective investors must, therefore, inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposition of the notes at their place of residence and in the countries of which they are citizens or countries of purchase, holding or disposition of notes.

Indian Taxation

The following is a summary of the principal Indian tax consequences to non-resident investors of India, or Non-resident Investors, of purchasing notes issued by us. The summary is based on Indian taxation law and practice in force at the date of this offering memorandum and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposition of notes. Prospective investors should, therefore, consult their own tax advisors regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of notes.

Payments through Offshore Branches

There is currently no requirement to withhold Indian tax on interest payments made on the notes by our offshore branches, if the amounts raised through these notes are utilized outside India. If and to the extent the amounts so raise are utilized in India, Indian tax consequences would be applicable as detailed under the paragraph “Withholding Taxes” and “Taxation of Interest” which are set forth below.

Payments through India

Any payments we make on the notes, including additional amounts, would be subject to the regulations of the Reserve Bank of India.

Withholding taxes

There will be a requirement to withhold tax at the rate of 20% (plus applicable surcharge and education cess) on interest payments made on the notes subject to and in accordance with the conditions contained in the Income Tax Act, 1961. However, an applicable Tax Treaty may reduce such withholding tax liability to rates ranging from 10% to 15% (depending on the Tax Treaty), subject to fulfillment of the conditions prescribed therein. To illustrate, the Tax Treaty with the United States provides for a reduced withholding tax rate of 15%, subject to fulfillment of the conditions prescribed therein.

We will be obligated to pay additional amounts in certain circumstances. Please see “Description of the Notes—Additional Amounts.”

Taxation of interest

A Non-resident Investor may be liable to pay income tax at a rate of 20% (plus applicable surcharge and education cess) on interest paid on the notes subject to and in accordance with the conditions contained in the Income Tax Act, 1961. However, an applicable Tax Treaty may reduce such tax liability to rates ranging from 10% to 15% (depending on the Tax Treaty), subject to fulfillment of the conditions prescribed therein. A Non-resident Investor would be obligated to pay such income tax in an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the notes and its ultimate Indian tax liability for such interest, subject to and in accordance with the provisions of the Income Tax Act, 1961. To illustrate, the Tax Treaty with the United States provides for a reduced withholding tax rate of 15%, subject to fulfillment of the conditions prescribed therein.

Taxation of gains arising on disposition

Any gains arising to a Non-resident Investor from disposition of notes held as a capital asset will generally be chargeable to income tax in India if the notes are regarded as property situated in India. A Non-resident Investor generally will not be chargeable to income tax in India from a disposition of notes held as a capital asset provided the notes are regarded as being situated outside India. There is a possibility that the Indian tax authorities may treat the notes as being located in India as we are incorporated in and resident in India.

If the notes are regarded as situated in India, upon disposition of a note:

(i) a Non-resident Investor, who has held the notes for a period of more than 36 months preceding the date of their disposition, would be liable to pay capital gains tax at rates ranging from 0% to 20% (plus applicable surcharge and education cess) subject to and in accordance with the provisions of the Income Tax Act, 1961;

(ii) a Non-resident Investor who has held the notes for 36 months or less would be liable to pay capital gains tax at rates ranging from 0% to 40% (plus applicable surcharge and education cess), depending on the legal status of the Non-resident Investor, and his taxable income in India, subject to any lower rate provided for by an applicable Tax Treaty; and

(iii) any surplus realized by a Non-resident Investor from a disposition of notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the surplus is attributable to a "business connection in India" or, where a Tax Treaty applies, to a "permanent establishment" in India of the Non-resident Investor. A Non-resident Investor would be liable to pay Indian tax on the gains which are so attributable at a rate of tax ranging from 0% to 40% (plus applicable surcharge and education cess), depending on the legal status of the Non-resident Investor and his taxable income in India, subject to any lower rate provided for by a Tax Treaty.

The Tax Treaty between the United States and India does not provide U.S. holders with any relief from Indian tax on gains.

Non-resident Investors should consult their own tax advisors regarding the Indian tax consequences of disposing of notes.

Wealth Tax

No wealth tax is payable at present in relation to the notes in India.

Estate Duty

No estate duty is payable at present in relation to the notes in India.

Gift Tax

No gift tax is payable at present in India.

Stamp Duty

A transfer of notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty would also be payable if notes are brought into India for enforcement or for any other purpose.

United States Taxation

This disclosure is limited to the US federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the US federal tax treatment of the notes. This tax disclosure was written in connection with the promotion or marketing of the notes by ICICI Bank, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code. Holders should seek their own advice based on their particular circumstances from an independent tax advisor.

The following is a discussion of certain US federal income tax consequences of purchasing, owning and disposing of a note to a US Holder (as described below), but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's decision to acquire such security. This discussion applies only to US Holders who hold the notes as capital assets for US federal income tax purposes and acquire such notes for cash pursuant to this offering at the "issue price," which will equal the first price to the public, not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, at which a substantial amount of the notes is sold for money. This discussion does not describe all of the US federal income tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and certain traders in notes or foreign currencies;
- persons holding the notes as part of a hedge, straddle, conversion or other integrated transaction;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- partnerships or other entities classified as partnerships for US federal income tax purposes;
- persons liable for the alternative minimum tax; or
- tax-exempt organizations.

This discussion is based on the Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, as of the date hereof, all of which are subject to change, possibly on a retroactive basis. Prospective purchasers should consult their own tax advisors concerning the US federal, state, local and non-US tax consequences of purchasing, owning and disposing of notes in their particular circumstances.

As used herein, the term "US Holder" means a beneficial owner of the notes that is, for US federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or (iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

ICICI intends to treat the notes as indebtedness issued without original issue discount for United States federal income tax purposes. Except as otherwise indicated, the following discussion assumes this treatment is respected. Prospective purchasers should consult their own tax advisors concerning the US federal, state, local and non-US tax consequences of purchasing, owning and disposing of the notes in their particular circumstances.

Payments of Interest

Interest paid on a note (including any Additional Interest or Additional Amounts) will be taxable to a US Holder as ordinary interest income at the time it accrues or is received in accordance with the holder's method of accounting for US federal income tax purposes. The amount of interest taxable as ordinary income will include amounts withheld with respect to taxes. Interest income earned by a US Holder with respect to a note will constitute foreign source income for foreign tax credit purposes.

Amounts withheld (taking into account the availability of any reduced rate of withholding tax under any applicable Income Tax Treaty between the relevant Taxing Jurisdiction and the United States) from interest income on a note may be eligible for credit against the US Holder's US federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of the US Holder, for deduction in computing the US Holder's taxable income. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, US Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a note, a US Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the holder's adjusted tax basis in the note. A US Holder's adjusted tax basis in a note will generally equal the cost of such note to such holder. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under "Payments of Interest" above.

Gain or loss realized on the sale, exchange or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or other taxable disposition the note has been held for more than one year. Gain or loss will generally be US source for purposes of computing a US Holder's foreign tax credit limitation.

As described under "—Indian Taxation—Taxation of gains arising on disposition" above, you may be subject to Indian tax on the disposition of securities. You should consult your own tax advisor with respect to your ability to credit any such Indian tax against your US federal income tax liability.

Alternative Characterization

No statutory, judicial or administrative authority directly addresses the treatment of the notes or instruments similar to the notes for US federal income tax purposes, and no ruling is being requested from the Internal Revenue Service with respect to the notes. The Internal Revenue Service, or IRS, might conclude that the notes are equity, in which case the timing, character and amount of the income a US Holder would be required to recognize could be materially different than that described above. Accordingly, US Holders should consult their tax advisors regarding potential alternative characterizations of the notes.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale of a note that are made within the United States or through certain US-related financial intermediaries may be subject to information reporting and to backup withholding unless the US Holder is a corporation or other exempt recipient (and establishes this fact when required) or in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against such holder's US federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

UNITED STATES ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in the notes by a pension, profit sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Code. THE FOLLOWING IS MERELY A SUMMARY, HOWEVER, AND SHOULD NOT BE CONSTRUED AS LEGAL ADVICE OR AS COMPLETE IN ALL RELEVANT RESPECTS. BECAUSE THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE MARKETING OF THE NOTE, IT IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY NOTE HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES AND/OR EXCISE TAX. ALL PURCHASERS ARE URGED TO CONSULT THEIR LEGAL ADVISORS BEFORE INVESTING ASSETS OF AN EMPLOYEE BENEFIT PLAN IN THE NOTES AND TO MAKE THEIR OWN INDEPENDENT DECISIONS.

Each fiduciary of a pension, profit-sharing or other employee benefit plan (an "ERISA Plan") subject to ERISA, should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Plan (together, "Parties in Interest"). For example, if we are a Party in Interest with respect to a Plan (either directly or by reason of its ownership of its subsidiaries), the purchase of the notes by or on behalf of the Plan would likely be a prohibited transaction under Section 406(a)(1) of ERISA and Section 4975(c)(1) of the Code, unless exemptive relief were available under an applicable statutory or administrative exemption (see below).

The US Department of Labor has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase and holding of the notes by or on behalf of a Plan. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, pending legislation may provide significant additional statutory relief from the prohibited transaction provisions of ERISA and the Code.

Accordingly, the notes may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless the purchase and holding of the notes is exempt under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or under a statutory exemption. Any purchaser of the notes or any interest therein, including in the secondary market, will be deemed to have represented that, among other things, either (a) it is not a Plan or other Plan Asset Entity and is not purchasing the notes on behalf of or with "plan assets" of any Plan or other Plan Asset Entity or (b) its purchase, holding and disposition of the notes is exempt under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or under a statutory exemption, and that such representations shall be deemed to be made each day from the date on which the purchaser purchases through and including the date on which the purchaser disposes of the notes. See "Transfer Restrictions" herein.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, and due to the uncertainty about pending adoption of legislation significantly affecting these issues, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with "plan assets" of any Plan consult with their counsel regarding the potential consequences under ERISA and the Code and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or under the new legislation.

PLAN OF DISTRIBUTION

We intend to offer the notes through the Initial Purchasers. Subject to the terms and conditions contained in a purchase agreement dated January 9, 2007 between us, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and Merrill Lynch International, the Initial Purchasers, have severally agreed to purchase, and we have agreed to sell to them, US$ 750,000,000 aggregate principal amount of the notes.

The Initial Purchasers have agreed to purchase all of the notes being sold pursuant to the purchase agreement if any of these notes are purchased.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

New Issue of Notes

The notes are a new issue of notes with no established trading market. Approval-in-principle has been obtained for the listing of the notes on the Singapore Exchange. The Initial Purchasers have advised us that they presently intend to make a market in the notes after completion of this offering as permitted by applicable laws and regulations. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. Accordingly, we cannot assure you as to the liquidity of, or the development or continuation of trading markets for, the notes.

Selling Restrictions

United States

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to US persons (other than distributors) unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Transfer Restrictions".

We have been advised by the Initial Purchasers that they propose to resell the notes initially to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to non-US Persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The Initial Purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the notes, within the United States or to, or for the account or benefit of, US persons, other than in accordance with Rule 144A, and they will send to each distributor, dealer or other person receiving a selling concession or similar fee to which they sell notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, US persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of notes within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the

Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

The Initial Purchasers has agreed that:

- they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by them in connection with the issue or sale of the notes in circumstances in which section 21(1) of the FSMA does not apply to us; and they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

India

The Initial Purchasers have represented and agreed that this offering memorandum has not and will not be registered as a prospectus with the Registrar of Companies, SEBI or any other statutory or regulatory body of like nature in India, and that the notes will not be offered or sold, and have not been offered or sold, in India nor have the Initial Purchasers circulated or distributed, nor will they circulate or distribute, this offering memorandum or any other offering document or material relating to the notes, directly or indirectly, to any person or the public or any member of the public in India or otherwise generally distributed or circulated in India or otherwise generally distributed or circulated in India. The notes have not been offered or sold, and will not be offered or sold, in India in circumstances which would constitute an offer to the public within the meaning of the Companies Act, 1956 and other laws for the time being in force.

Hong Kong

The Initial Purchasers have agreed that:

- they have not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- they have not issued or had in their possession for the purposes of issue, and will not issue or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each Initial Purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase nor will it offer or sell the notes or cause the notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of notes or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

Japan

The Initial Purchasers have agreed that they have not offered or sold, and will not offer or sell, directly or indirectly, any of the notes in Japan or to any resident of Japan or to any persons for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan, except (x) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan available thereunder and (y) in compliance with the other relevant requirements of Japanese law. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Price Stabilization and Short Positions

In connection with this offering, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the Initial Purchasers may bid for and purchase notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. In addition, if the Initial Purchasers creates a short position in the notes in connection with the offering by selling more notes than are listed on the cover page of this offering memorandum, then the Initial Purchasers may reduce that short position by purchasing notes in the open market. The Initial Purchasers may also impose penalty bids, which would permit the Initial Purchasers to reclaim a selling concession from a dealer when the notes originally sold by that dealer are purchased in a covering transaction to cover short positions. In general, purchases of a security for the purpose of stabilizing or reducing a short position could cause the price of that note to be higher than it might otherwise have been in the absence of those purchases.

Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the Initial Purchasers make any representation that anyone will engage in these transactions or that these transactions, if they are commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

The Initial Purchasers and certain of their affiliates have been and currently are our clients to whom we provide, from time to time, ordinary course commercial banking services.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, US persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A, or (2) outside the United States to non-US persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "US person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

1. It is:

- a qualified institutional buyer, is aware that the sale of the notes to it is being made in reliance on Rule 144A and is acquiring the notes for its own account or for the account of a qualified institutional buyer; or
- it is not a US person and is purchasing the notes outside the United States in compliance with Regulation S.

2. It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the notes have not been registered under the Securities Act.

3. If it is acquiring the notes in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer notes prior to the date that is two years after the later of the original issue date of the notes and the last date on which we or any of our affiliates was the owner of that note (or any predecessor of that security) except:

- to us;
- inside the United States to a qualified institutional buyer in compliance with Rule 144A;
- outside the United States to non-US persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;
- in a transaction complying with Rule 144 under the Securities Act (if available); or
- pursuant to an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those notes from it of the resale restrictions referred to above.

4. If it is acquiring the notes in a sale being made in reliance upon Rule 144A, it understands that the notes will, until two years after the later of the original issue date of the notes and the last date on which we or any of our affiliates was the owner of that note (or any predecessor of that note), unless otherwise agreed by us and the securityholder, bear a legend substantially to the following effect:

"This note has not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction. Neither this note nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this note by its acceptance hereof (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this note for its own account or

for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such note, prior to the date (the "resale restriction termination date") which is two years after the later of the original issue date hereof and the last date on which the issuer or any affiliate of the issuer was the owner of this security (or any predecessor of such note), only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer", that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, in a principal amount of not less than US$ 100,000, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed upon the request of the holder after the resale restriction termination date."

5. If it is acquiring the notes in a sale being made in reliance upon Regulation S, it understands that the notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"This note has not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of US persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a US person, is not acquiring this note for the account or benefit of a US person and is acquiring this note in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the notes are offered to persons other than distributors (as defined in Regulation S) and (b) the date of the closing of the original offering. As used herein, the terms "offshore transaction", "United States" and "US person" have the meanings given to them by Regulation S under the Securities Act.

6. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the notes shall be made by it to a US person or for the account or benefit of a US person within the meaning of Rule 902(o) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

7. It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.

8. It acknowledges that we and the Initial Purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of notes are no longer accurate, it will promptly notify us and the Initial Purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

9. It will be deemed to have represented and agreed either that (i) it is not and for so long as it holds notes will not be (and is not acquiring the notes directly or indirectly with the assets of a person who is or while the notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any US federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar US federal, state or local law, or foreign law) for which an exemption is not available. Similarly, each transferee of any notes, by virtue of the transfer of such notes to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds notes will not be (and is not acquiring the notes directly or indirectly with the assets of a person who is or while the notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any US federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, state or local law, or foreign law) for which an exemption is not available.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Davis Polk & Wardwell, our US counsel, and for the Initial Purchasers by Latham & Watkins, US counsel to the Initial Purchasers.

Matters of Indian law will be passed upon by Amarchand & Mangaldas & Suresh A. Shroff & Co., Indian counsel to the Initial Purchasers.

INDEPENDENT ACCOUNTANTS

Certain financial data for the fiscal years 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2005 and 2006 included in this offering memorandum have been derived from our unconsolidated financial statements prepared in accordance with Indian GAAP, guidelines issued by the Reserve Bank of India from time to time and practices generally prevailing in the banking industry in India. The financial statements for fiscal 2002 have been audited by S.B. Billimoria and Co., Chartered Accountants, for fiscal 2003 jointly by N.M. Raiji and Co., Chartered Accountants and S.R. Batliboi and Co., Chartered Accountants, for fiscal 2004, 2005 and 2006 and the six months ended September 30, 2005, by S.R. Batliboi and Co., Chartered Accountants and for the six months ended September 30, 2006 by BSR & Co., Chartered Accountants.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

The following is a general summary of certain differences between Indian GAAP and US GAAP as applicable to us. The differences identified below are limited to those significant differences that are appropriate to our financial statements. However, they should not be construed as being exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and US GAAP as a result of prescribed changes in accounting standards nor to identify future differences that may affect our financial statements as a result of transactions or events that may occur in the future.

Indian GAAP	US GAAP
1. Financial Statement Presentation and Disclosure	
Two years' balance sheets, profit and loss account, accounting policies and notes and cash flow statements are required under Indian GAAP.	Companies filing US GAAP financial statements with the SEC are required to present three years' statement of operations, statement of stockholders' equity and other comprehensive income and cash flow statements and two years' balance sheet.
As disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant changes in accounting policies", in 2003, 2004 and 2005 we changed certain accounting policies. Under Indian GAAP these changes are accounted for prospectively with a disclosure of comparable prior period amounts as if restatement had occurred.	Disclosure requirements under US GAAP also vary in certain respects to those of Indian GAAP. Under US GAAP for the period presented changes in accounting policies are generally accounted for on a cumulative change basis.
2. Consolidation	
ICICI Bank has presented its Indian GAAP financial statements on an unconsolidated basis where the financial position and results of operations of its controlled entities are not consolidated, but rather reflected on the basis of cost subject to consideration of impairment.	US GAAP requires consolidation and generally does not consider financial statements to be prepared under a "fundamental basis of accounting" if a consolidation accounting policy is not followed. US GAAP also requires consolidation of variable interest entities, if the investing entity is a primary beneficiary as defined in FIN 46R.
Under Indian GAAP, the investments in subsidiaries are consolidated on a line-by-line basis by adding together items of assets, liabilities, income and expenses. Investments in associates is accounted for as per the equity method of accounting as defined in AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and in joint ventures as per the proportionate consolidation method as defined in AS 27 "Financial Reporting of Interests in Joint Ventures." The financial statements of companies which are in the nature of jointly controlled entities are consolidated as per AS 21 "Consolidated Financial Statements", consequent to the limited revision to AS 27 "Financial Reporting of Interests in Joint Ventures."	

Indian GAAP	US GAAP
3. Business Combination	
Under Indian GAAP, for legal and accounting purposes, ICICI Bank acquired ICICI by issuing shares of ICICI Bank to the shareholders of ICICI. The business combination was accounted for in accordance with purchase method of accounting. The excess of fair value of the assets of ICICI over the paid up value of the shares issued by ICICI Bank was taken to general reserves.	In accordance with SFAS 141, the amalgamation of ICICI with ICICI Bank qualifies as a reverse acquisition. For financial reporting purposes ICICI was the acquiring entity and hence the assets and liabilities of ICICI Bank were fair valued under the purchase method of accounting. The total purchase price was determined by taking into consideration the fair value of the common stock issued and stock options assumed and the direct acquisition costs. The total purchase price was allocated to the acquired assets and assumed liabilities based on management estimates and independent appraisals. The difference between the total purchase price and net tangible and intangible assets acquired was treated as goodwill.
4. Unrealized gains/losses on Investments	
All investments are categorized into "Held to Maturity", "Available for Sale" and "Trading". "Held to Maturity" securities are carried at their acquisition cost or at amortized cost if acquired at a premium over the face value. "Available for Sale" and "Trading" securities are valued periodically as per the Reserve Bank of India's guidelines. Depreciation/appreciation for each basket within "Available for Sale" and "Trading" category is aggregated. Net appreciation in each basket if any, being unrealized, is ignored, while net depreciation is charged to the profit and loss account.	Investments are classified into "Trading" or "Available for Sale" based on management's intent and ability. Currently, no investments are classified as "Held to Maturity." While "Trading" and "Available For Sale" securities are valued at fair value, "Held to Maturity" securities are valued at cost, adjusted for amortization of premiums and accretion of discount. The unrealized gains and losses on "Trading" securities are taken to the income statement, while those on "Available for Sale" securities are reported as a separate component of stockholders' equity, net of applicable taxes, until realized.
5. Amortization of premium/discount on purchase of investments	
No amortization of premium/discount on investments is required except for premium on investments categorized as Held to Maturity.	Premium/discount is amortized on all categories of investments.
6. Retirement benefits	
Effective April 1, 2006 the liability for defined benefit plans like gratuity and pension is determined using the projected unit credit actuarial method. The discount rate for obligations is based on market yields of Government of India securities. The actuarial gains or losses are recognized immediately in the statement of income.	The liability for defined benefit schemes is determined using the projected unit credit actuarial method. The discount rate for obligations is based on market yields of high quality corporate bonds. The actuarial gains or losses are not recognized immediately in the statement of income. As a minimum, amortization of an unrecognized net gain or loss is included as a component of net pension cost for a year if, as of the beginning of the year, that

unrecognized net gain or loss exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets. The balance, if any, is amortized over the average remaining service period of active employees expected to receive benefits under the plan.

7. Revaluation of property

Indian GAAP	US GAAP
Property is carried at historical cost or other amount substituted for historical cost less accumulated depreciation. An increase in net book value as a result of revaluation is taken directly to revaluation reserves while a decline is charged to profit and loss account.	Revaluation of property is not permitted in accounts under US GAAP. As a result, depreciation charge is lower under US GAAP, and when revalued property is disposed of, a greater profit or loss is generally recorded under US GAAP than Indian GAAP.

8. Allowance for credit losses

Indian GAAP	US GAAP
All credit exposures are classified as per Reserve Bank of India's guidelines, into performing and non-performing assets. Further, non-performing assets are classified into substandard, doubtful and loss assets for provisioning based on the criteria stipulated by the Reserve Bank of India. Provisions are generally made on substandard and doubtful assets at rates equal to or higher than those prescribed by the Reserve Bank of India. For restructured assets, provision is made in accordance with the guidelines issued by the Reserve Bank of India, which require that a provision equal to the present value of the interest sacrifice be made at the time of restructuring. In addition to the general provision made on standard assets in accordance with Reserve Bank of India guidelines, the Bank maintains general provisions to cover potential credit losses.	Credit losses on homogeneous groups of loans are recognized when they are both probable of occurrence and reasonably estimable. Individual loans are tested for impairment and placed on a non-accrual basis when based on current information and events, the management estimates that the collection of outstanding interest and principal amount is doubtful. The impairment of a loan is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate, or at the observable market price of the loan, or at the fair value of the collateral if the loan is collateral dependent. The impairment is recognized if the measured value is less than the recorded investment in the impaired loan.

9. Loan origination fees/costs

Indian GAAP	US GAAP
Loan origination fees are recognized upfront on their becoming due. Loan origination costs are taken to the profit and loss account in the year in which accrued/ incurred.	Non-refundable loan origination fees (net of direct loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan. The adjustment is made by the interest method based on the contractual terms of the loan.

10. Acceptances

Indian GAAP	US GAAP
Acceptances are not recorded on the balance sheet and are disclosed as off-balance sheet contingent liabilities.	Acceptances and the related customer liabilities are disclosed on the balance sheet as an asset and a liability.

11. Derivatives instruments and hedging activities

Indian GAAP	US GAAP
The impact of derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of	All derivatives, either assets or liabilities, are measured at fair value. Fair values of derivatives are based on quoted market prices, which take into

Indian GAAP	US GAAP
hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or liabilities in the balance sheet. When there is no correlation of movements between derivatives and the underlying asset or liability, or if the underlying asset or liability specifically related to the derivative instrument has matured or is sold or terminated, the derivative instrument is closed out or marked to market as an element of non interest income on an outgoing basis.	account current market and contractual prices of the underlying instrument as well as time value underlying the positions. Derivatives that are not designated as part of a hedging relationship are accounted for in other assets and are adjusted to fair value through income. If the derivative qualifies as a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either offset against the change in fair value of the hedged asset, liability or firm commitment through income or held in equity until the hedged item is recognized as income. The ineffective portion of a hedge's change in fair value is immediately recognized in income.

12. Deferred Taxes

Indian GAAP	US GAAP
Deferred taxation is provided on timing differences where it is considered probable that a benefit or a liability will crystallize. There is no specific guidance under Indian GAAP for recognition of deferred tax on undistributed earnings of subsidiaries.	Under SFAS 109, an assets/liability method is used such that deferred tax assets and liabilities are calculated for all temporary differences. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax is required on temporary differences relating to investments in domestic subsidiaries unless the investment can be recovered tax-free.

13. Basis for Depreciation

Indian GAAP	US GAAP
Depreciation is charged on a straight-line basis at rates prescribed under the Companies Act, 1956.	Depreciation is provided over the estimated useful lives of the assets or lease term, whichever is shorter.

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

IMPORTANT INFORMATION RELATING TO THE FINANCIAL INFORMATION PRESENTED

Financial statements included in this offering memorandum are our unconsolidated audited financial statements prepared in accordance with Indian GAAP guidelines issued by the Reserve Bank of India from time to time, and practices generally prevailing in the banking industry. The financial information in our annual report on Form 20-F for the fiscal year 2006 is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP with the net income and stockholders' equity reconciled to US GAAP. Financial information in our annual reports on Form 20-F for the fiscal years 2000 to 2005 filed with the SEC was prepared in accordance with US GAAP. US GAAP requires consolidation as a fundamental basis of accounting, and is different in many respects to Indian GAAP. For further discussion of the significant differences between Indian GAAP and US GAAP, see "Description of Certain Differences between Indian GAAP and US GAAP". We also prepare consolidated financial statements prepared in accordance with Indian GAAP, which are not included in this offering memorandum.

To the Board of Directors
ICICI Bank Limited

Auditors' report on the financial statements of ICICI Bank Limited

1. We have audited the attached Balance Sheet of ICICI Bank Limited ('the Bank') as at September 30, 2006 and also the Profit and Loss Account and the Cash Flow Statement of the Bank for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211(1) and (2) of the Companies Act, 1956, *subject to non transfer of profit to various reserves.*
4. We report that:
   (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
   (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
   (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India.
6. We further report that:
   (a) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;
   (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
   (c) as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956.
7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at September 30, 2006;
   (b) in the case of the Profit and Loss Account, of the profit of the Bank for the six months ended on that date; and
   (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the six months ended on that date.

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

Mumbai
24 October 2006

ICICI BANK LIMITED

Unconsolidated Balance Sheet as on September 30, 2006

	Schedule	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
			Rupees in million	
CAPITAL AND LIABILITIES				
Capital	1	12,429.2	12,398.3	10,909.2
Reserves and Surplus	2	226,574.7	213,161.6	129,753.8
Deposits	3	1,894,993.7	1,650,831.7	1,204,523.4
Borrowings	4	360,064.2	385,219.1	341,186.0
Other liabilities and provisions	5	329,663.6	252,278.8	205,812.4
TOTAL CAPITAL AND LIABILITIES		**2,823,725.4**	**2,513,889.5**	**1,892,184.8**
ASSETS				
Cash and balance with Reserve Bank of India	6	145,094.3	89,343.7	79,324.0
Balances with banks and money at call and short notice	7	93,156.0	81,058.5	50,554.4
Investments	8	829,922.9	715,473.9	553,172.9
Advances	9	1,554,034.9	1,461,631.1	1,070,709.7
Fixed assets	10	39,234.8	39,807.1	39,600.6
Other assets	11	162,282.5	126,575.2	98,823.2
TOTAL ASSETS		**2,823,725.4**	**2,513,889.5**	**1,892,184.8**
Contingent liabilities	12	**4,653,576.7**	**3,950,336.7**	**3,109,852.1**
Bills for collection		**35,579.4**	**43,384.6**	**32,425.1**
Significant accounting policies and notes to accounts	18			

The schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For and on behalf of the Board of Directors

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

N. Vaghul
Chairman

Kalpana Morparia
Joint Managing Director

Vishakha Mulye
Chief Financial Officer
& Treasurer

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Deputy Managing Director

Jyotin Mehta
General Manager &
Company Secretary

Lalita D. Gupte
Joint Managing Director

Nachiket Mor
Deputy Managing Director

Rakesh Jha
General Manager

Place: Mumbai
Date : October 24, 2006

ICICI BANK LIMITED

Unconsolidated Profit and Loss Account for the period ended September 30, 2006

	Schedule	Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
			Rupees in million	
I. INCOME				
Interest earned	13	105,080.6	143,061.3	64,453.2
Other income	14	28,476.9	49,831.4	22,020.5
TOTAL INCOME		**133,557.5**	**192,892.7**	**86,473.7**
II. EXPENDITURE				
Interest expended	15	74,557.9	95,974.5	44,063.6
Operating expenses	16	30,567.2	50,011.5	22,261.7
Provisions and contingencies	17	14,682.2	21,506.0	9,047.8
TOTAL EXPENDITURE		**119,807.3**	**167,492.0**	**75,373.1**
III. PROFIT/LOSS				
Net profit for the period/year		13,750.2	25,400.7	11,100.6
Profit brought forward		2,934.4	1,882.2	1,882.2
TOTAL PROFIT / (LOSS)		**16,684.6**	**27,282.9**	**12,982.8**
IV. APPROPRIATIONS/TRANSFERS				
Transfer to Statutory Reserve		—	6,360.0	—
Transfer to Reserve fund		—	0.2	—
Transfer to Capital Reserve		—	680.0	—
Transfer to Investment Fluctuation Reserve		—	5,900.0	—
Transfer from Investment Fluctuation Reserve		—	(13,203.4)	—
Transfer to Special Reserve		—	2,750.0	—
Transfer to Revenue and other reserves		—	13,203.4	—
Proposed equity share dividend		19.0	7,593.3	29.8
Proposed preference share dividend		—	—	—
Corporate dividend tax		2.7	1,065.0	4.2
Balance carried over to balance sheet		16,662.9	2,934.4	12,948.8
TOTAL		**16,684.6**	**27,282.9**	**12,982.8**
Significant accounting policies and notes to accounts	18			
Earning per share (Refer note B. 4)				
Basic (Rs.)		15.42	32.49	15.02
Diluted (Rs.)		15.30	32.15	14.87
Face value per share (Rs.)		10.00	10.00	10.00

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report of even date

For and on behalf of the Board of Directors

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

Kalpana Morparia
Joint Managing Director

Chanda D. Kochhar
Deputy Managing Director

Nachiket Mor
Deputy Managing Director

Vishakha Mulye
Chief Financial Officer & Treasurer

Jyotin Mehta
General Manager & Company Secretary

Rakesh Jha
General Manager

Place : Mumbai
Date : October 24, 2006

ICICI BANK LIMITED

Cash Flow Statement for the period ended September 30, 2006

Particulars	Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
	Rupees in million		
Cash flow from operating activities			
Net profit before taxes	16,511.2	30,966.0	14,131.7
Adjustments for:			
Depreciation and amortisation	3,978.2	9,021.2	4,425.2
Net (appreciation) / depreciation on investments	4,939.2	8,301.4	3,372.7
Provision in respect of non-performing assets (including prudential provision on standard assets)	5,992.4	7,947.2	2,481.7
Provision for contingencies & others	594.5	226.8	228.7
Dividend from subsidiaries	(1,356.5)	(3,386.9)	(2,101.4)
(Profit)/Loss on sale of fixed assets	(410.5)	(71.2)	(43.8)
	30,248.5	53,004.5	22,494.8
Adjustments for:			
(Increase)/decrease in investments	1,129.0	(141,019.2)	(57,996.9)
(Increase)/decrease in advances	(97,023.5)	(552,112.9)	(158,739.1)
Increase/(decrease) in borrowings	1,680.3	65,476.0	24,349.8
Increase/(decrease) in deposits	244,162.0	652,643.9	206,335.6
(Increase)/decrease in other assets	(32,181.1)	(36,704.2)	(11,942.0)
Increase/(decrease) in other liabilities and provisions	28,513.6	13,861.4	(78.8)
	146,280.3	2,145.0	1,928.6
Refund/(payment) of direct taxes	(7,156.0)	(8,620.2)	(2,121.8)
Net cash flow from operating activities (A)	**169,372.8**	**46,529.3**	**22,301.6**
Cash flow from investing activities			
Investments in subsidiaries and/or joint ventures (including application money)	(7,746.6)	(8,509.1)	(3,377.8)
Income received on such investments	1,356.5	3,386.9	2,101.4
Purchase of fixed assets	(2,508.0)	(5,474.0)	(2,824.4)
Proceeds from sale of fixed assets	1,297.9	942.8	888.7
(Purchase) / sale of held to maturity securities	(112,509.5)	(69,286.4)	9,730.2
Net cash from investing activities (B)	**(120,109.7)**	**(78,939.8)**	**6,518.1**
Cash flow from financing activities			
Proceeds from issue of share capital (other than ESOPs) net of issue expenses	—	79,039.4	—
Amount received on exercise of stock options	612.4	774.4	638.8
Net proceeds/(repayment) of bonds (including subordinated debt)	26,459.3	869.6	(21,663.3)
Dividend and dividend tax paid	(8,646.0)	(7,174.4)	(7,174.4)
Net cash generated from financing activities (C)	**18,425.7**	**73,509.0**	**(28,198.9)**
Effect of exchange fluctuation on translation reserve (D)	**159.3**	**4.0**	**(42.1)**
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D)	**67,848.1**	**41,102.5**	**578.7**
Cash and cash equivalents as at 1st April	**170,402.2**	**129,299.7**	**129,299.7**
Cash and cash equivalents as at 30th September / 31st March	**238,250.3**	**170,402.2**	**129,878.4**

For significant accounting policies and notes to accounts refer schedule 18.

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For and on behalf of the Board of Directors

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

Kalpana Morparia
Joint Managing Director

Chanda D. Kochhar
Deputy Managing Director

Nachiket Mor
Deputy Managing Director

Vishakha Mulye
Chief Financial Officer & Treasurer

Jyotin Mehta
General Manager & Company Secretary

Rakesh Jha
General Manager

Place : Mumbai
Date : October 24, 2006

Schedules forming part of the balance sheet

SCHEDULE 1—CAPITAL

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
		Rupees in million	
Authorised capital			
1,000,000,000 equity shares of Rs. 10 each [March 31, 2006: 1,000,000,000 equity shares of Rs. 10 each; September 30, 2005: 1,000,000,000 equity shares of Rs.10 each]	10,000.0	10,000.0	10,000.0
55,000,000 preference shares of Rs. 100 each [March 31, 2006: 55,000,000 preference shares of Rs. 100 each; September 30, 2005: 55,000,000 preference shares of Rs. 100 each]	5,500.0	5,500.0	5,500.0
350 preference shares of Rs. 10 million each	3,500.0	3,500.0	3,500.0
Equity share capital			
Issued, subscribed and paid-up capital[1]			
889,823,901 equity shares of Rs. 10 each (March 31, 2006: 884,920,650 equity shares; September 30, 2005:736,716,094)	8,898.2	8,849.2	7,367.2
Add : Issued 3,071,960 equity shares of Rs. 10 each fully paid up (March 31, 2006: 4,903,251 equity shares; September 30: 2005 4,165,023 equity shares) on exercise of employee stock options	30.7	49.0	41.6
	8,928.9	8,898.2	7,408.8
Less : Calls unpaid	0.1	0.3	—
Add : Forfeited 67,323 equity shares (March 31, 2006: 67,323 equity shares; September 30, 2005: 67,323 equity shares)	0.4	0.4	0.4
Share capital suspense [net] [Represents application money received for Nil equity shares (March 31, 2006: Nil equity shares; September 30, 2005: Nil) of Rs.10 each on exercise of employee stock options]	—	—	—
TOTAL EQUITY CAPITAL	**8,929.2**	**8,898.3**	**7,409.2**
Preference share capital[2]			
[Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	3,500.0	3,500.0	3,500.0
TOTAL CAPITAL	**12,429.2**	**12,398.3**	**10,909.2**

1. Includes:
   a) 110,967,096 equity shares of Rs.10 each issued vide prospectus dated December 8, 2005.
   b) 14,285,714 equity shares of Rs.10 each fully paid up issued consequent to exercise of green shoe option vide prospectus dated December 8, 2005.
   c) 37,237,460 equity shares of Rs. 10 each issued consequent to issue of 18,618,730 American Depository Shares vide prospectus dated December 6, 2005.
2. For these preference shares, the notification from Ministry of Finance has currently exempted the Bank from the restriction of Section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 2—RESERVES AND SURPLUS

		As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
			Rupees in million	
I.	Statutory reserve			
	Opening balance	20,987.3	14,627.3	14,627.3
	Additions during the period/year	—	6,360.0	—
	Deductions during the period/year	—	—	—
	Closing balance	20,987.3	20,987.3	14,627.3
II.	Special reserve			
	Opening balance	14,690.0	11,940.0	11,940.0
	Additions during the period/year	—	2,750.0	—
	Deductions during the period/year	—	—	—
	Closing balance	14,690.0	14,690.0	11,940.0
III.	Share premium			
	Opening balance	118,175.6	39,892.4	39,892.4
	Additions during the period/year[1]	581.5	79,157.3	597.3
	Deductions during the period/year	—	874.1	—
	Closing balance	118,757.1	118,175.6	40,489.7
IV.	Investment fluctuation reserve			
	Opening balance	—	5,160.0	5,160.0
	Additions during the period/year	—	8,043.4	2,143.4
	Deductions during the period/year	—	13,203.4	—
	Closing balance	—	—	7,303.4
V.	Capital reserve			
	Opening balance	5,530.0	4,850.0	4,850.0
	Additions during the period/year	—	680.0	—
	Deductions during the period/year	—	—	—
	Closing balance	5,530.0	5,530.0	4,850.0
VI.	Foreign currency translation reserve	163.2	4.0	(42.1)
VII.	Reserve fund			
	Opening balance	0.2	—	—
	Additions during the period/year	—	0.2	—
	Deductions during the period/year	—	—	—
	Closing balance	0.2	0.2	—
VIII.	Revenue and other reserves			
	Opening balance	50,840.1	39,780.1	39,780.1
	Additions during the period/year	—	13,203.4	—
	Deductions during the period/year[2]	1,055.9	2,143.4	2,143.4
	Closing balance	49,784.0	50,840.1	37,636.7
IX.	Balance in profit and loss account	16,662.9	2,934.4	12,948.8
TOTAL RESERVES AND SURPLUS		**226,574.7**	**213,161.6**	**129,753.8**

1. Includes Rs. 521.8 million (March 31, 2006: Rs. 725.6 million; September 30, 2005: Rs. 597.3 million) on exercise of employee stock options.
2. Represents transition adjustment on account of first time adoption of Accounting Standard 15 (Revised) on “Employee benefits” issued by The Institute of Chartered Accountants of India.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 3—DEPOSITS

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
		Rupees in million	
A. I. Demand deposits			
i) From banks	4,051.0	4,224.0	3,444.4
ii) From others	144,140.5	161,510.8	122,394.9
II. Savings bank deposits	271,774.4	209,369.8	145,326.2
III. Term deposits			
i) From banks	103,064.9	107,080.4	92,917.6
ii) From others	1,371,962.9	1,168,646.7	840,440.3
TOTAL DEPOSITS	**1,894,993.7**	**1,650,831.7**	**1,204,523.4**
B. I. Deposits of branches in India	1,812,333.2	1,565,128.4	1,153,462.2
II. Deposits of branches outside India	82,660.5	85,703.3	51,061.2
TOTAL DEPOSITS	**1,894,993.7**	**1,650,831.7**	**1,204,523.4**

SCHEDULE 4—BORROWINGS

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
		Rupees in million	
I. Borrowings in India			
i) Reserve Bank of India	—	—	—
ii) Other banks	36,505.6	39,370.2	31,239.6
iii) Other institutions and agencies			
a) Government of India	2,492.7	2,813.6	3,213.0
b) Financial institutions	33,566.1	34,372.4	36,158.4
iv) Borrowings in the form of			
a) Deposits taken over from erstwhile ICICI Limited	392.6	1,388.5	2,055.9
b) Bonds and debentures (excluding subordinated debt)			
— Debentures and bonds guaranteed by the Government of India	14,815.0	14,815.0	14,815.0
— Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement	7,920.6	16,179.5	25,256.3
Bonds issued under multiple option/safety bonds series			
— Regular interest bonds	6,144.5	8,556.6	10,071.6
— Deep discount bonds	4,354.8	4,257.2	4,210.9
— Bonds with premium warrants	—	928.7	861.0
— Encash bonds	431.0	679.2	1,167.2
— Tax saving bonds	30,043.6	46,187.3	53,077.1
— Pension bonds	61.5	61.0	60.2
TOTAL	**136,728.0**	**169,609.2**	**182,186.2**
II. Borrowings outside India			
i) From multilateral/bilateral credit agencies (guaranteed by the Government of India for the equivalent of Rs. 19,971.4 million at September 30, 2006)	24,086.8	23,820.6	23,763.1
ii) From international banks, institutions and consortiums	128,436.4	123,776.5	103,338.8
iii) By way of bonds and notes	70,596.5	68,012.8	31,897.9
iv) Other borrowings	216.5	—	—
TOTAL	**223,336.2**	**215,609.9**	**158,999.8**
TOTAL BORROWINGS	**360,064.2**	**385,219.1**	**341,186.0**

Secured borrowings in I and II above is Rs. Nil.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
I. Bills payable	50,792.6	33,271.9	30,744.1
II. Inter-office adjustments (net)	10,080.8	3,496.5	—
III. Interest accrued	16,956.3	13,846.5	14,259.4
IV. Unsecured redeemable debentures/bonds [Subordinated debt included in Tier I and Tier II Capital]	155,948.6	101,443.8	80,520.3
V. Others			
a) Security deposits from clients	10,741.3	7,709.8	10,059.2
b) Sundry creditors	62,210.0	58,083.5	54,329.3
c) Received for disbursements under special program	2,992.6	3,007.1	2,841.8
d) Provision for standard assets	6,978.2	5,638.2	2,658.1
e) Other liabilities[1]	12,963.2	25,781.5	10,400.2
TOTAL OTHER LIABILITIES AND PROVISIONS	**329,663.6**	**252,278.8**	**205,812.4**

1. Includes :-

   a) Proposed dividend of Rs. Nil [March 31, 2006: Rs. 7,563.5 million; September 30, 2005: Rs. Nil].

   b) Corporate dividend tax payable of Rs. Nil [March 31, 2006: Rs. 1,060.8 million; September 30, 2005: Rs. Nil].

SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
I. Cash in hand (including foreign currency notes)	20,784.9	12,088.2	8,867.3
II. Balances with Reserve Bank of India in current accounts	124,309.4	77,255.5	70,456.7
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	**145,094.3**	**89,343.7**	**79,324.0**

SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
I. In India			
i) Balances with banks			
a) In current accounts	5,473.7	4,402.9	7,093.5
b) In other deposit accounts	4,146.1	6,185.6	3,726.1
ii) Money at call and short notice			
a) With banks	8,600.0	6,500.0	2,450.0
b) With other institutions	1,300.0	3.0	—
TOTAL	**19,519.8**	**17,091.5**	**13,269.6**
II. Outside India			
i) In current accounts	11,156.5	7,318.9	14,770.6
ii) In other deposit accounts	49,554.1	48,614.9	22,514.2
iii) Money at call and short notice	12,925.6	8,033.2	—
TOTAL	**73,636.2**	**63,967.0**	**37,284.8**
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**93,156.0**	**81,058.5**	**50,554.4**

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 8—INVESTMENTS [net of provisions]

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
I. Investments in India			
i) Government securities	607,140.5	510,744.4	415,365.8
ii) Other approved securities	0.6	0.6	300.7
iii) Shares (includes equity and preference shares)	21,504.0	20,578.5	14,886.4
iv) Debentures and bonds	24,003.0	18,040.3	15,807.9
v) Subsidiaries and/or joint ventures	21,131.7	16,691.6	14,297.1
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.)	104,722.0	104,308.9	66,965.3
TOTAL	**778,501.8**	**670,364.3**	**527,623.2**
II. Investments outside India			
i) Government securities	3,198.3	1,342.4	344.6
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	15,222.2	11,915.3	9,119.1
iii) Others	33,000.6	31,851.9	16,086.0
TOTAL	**51,421.1**	**45,109.6**	**25,549.7**
TOTAL INVESTMENTS	**829,922.9**	**715,473.9**	**553,172.9**

SCHEDULE 9—ADVANCES [net of provisions]

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
A. i) Bills purchased and discounted	41,886.4	63,066.0	62,479.1
ii) Cash credits, overdrafts and loans repayable on demand	191,882.3	249,328.3	132,477.3
iii) Term loans	1,288,213.1	1,117,904.6	852,283.2
iv) Securitisation, finance lease and hire purchase receivables[1]	32,053.1	31,332.2	23,470.1
TOTAL	**1,554,034.9**	**1,461,631.1**	**1,070,709.7**
B. i) Secured by tangible assets [includes advances against book debt]	1,254,096.2	1,199,732.4	889,897.4
ii) Covered by Bank/Government guarantees	9,289.1	13,508.7	25,588.8
iii) Unsecured	290,649.6	248,390.0	155,223.5
TOTAL	**1,554,034.9**	**1,461,631.1**	**1,070,709.7**
C. I. Advances in India			
i) Priority Sector	401,675.5	426,756.2	280,173.3
ii) Public Sector	3,077.4	11,572.0	4,134.3
iii) Banks	52.3	48.9	114.5
iv) Others	998,980.7	898,014.7	690,039.1
TOTAL	**1,403,785.9**	**1,336,391.8**	**974,461.2**
II. Advances outside India			
i) Due from banks	23,319.7	18,559.9	57,977.0
ii) Due from others			
a) Bills purchased and discounted	20,332.5	43,769.3	—
b) Syndicated loans	80,864.3	29,704.4	18,174.1
c) Others	25,732.5	33,205.8	20,097.4
TOTAL	**150,249.0**	**125,239.3**	**96,248.5**
TOTAL ADVANCES	**1,554,034.9**	**1,461,631.1**	**1,070,709.7**

1. Includes receivables under lease amounting to Rs. 611.9 million (March 31, 2006 : Rs. 695.1 million; September 30, 2005: Rs. 802.6 million).

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 10—FIXED ASSETS

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
I. Premises			
At cost as on March 31st of preceding year	20,199.4	18,829.7	18,829.7
Additions during the period/year	469.0	1,454.2	861.2
Deductions during the period/year	(103.6)	(84.5)	(38.4)
Depreciation to date	(2,336.8)	(2,029.0)	(1,780.1)
Net block	**18,228.0**	**18,170.4**	**17,872.4**
II. Other fixed assets (including furniture and fixtures)			
At cost as on March 31st of preceding year	20,531.9	16,303.9	16,303.9
Additions during the period/year	2,050.6	4,361.2	1,963.3
Deductions during the period/year	(313.9)	(133.2)	(66.8)
Depreciation to date	(11,793.5)	(10,633.4)	(9,129.1)
Net block	**10,475.1**	**9,898.5**	**9,071.3**
III. Assets given on lease			
At cost as on March 31st of preceding year	18,954.3	20,122.8	20,122.8
Additions during the period/year	—	0.5	—
Deductions during the period/year	(750.6)	(1,169.0)	(149.4)
Depreciation to date, accumulated lease adjustment and provisions	(7,672.0)	(7,216.1)	(7,316.5)
Net block	**10,531.7**	**11,738.2**	**12,656.9**
TOTAL FIXED ASSETS	**39,234.8**	**39,807.1**	**39,600.6**

SCHEDULE 11—OTHER ASSETS

	As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
	Rupees in million		
I. Inter-office adjustments (net)	—	—	450.9
II. Interest accrued	26,778.5	21,543.1	17,023.8
III. Tax paid in advance/tax deducted at source (net)	32,909.2	28,220.5	25,280.1
IV. Stationery and stamps	2.8	1.7	3.4
V. Non-banking assets acquired in satisfaction of claims[1]	3,367.3	3,627.9	3,296.2
VI. Others			
a) Advance for capital assets	810.2	1,479.4	690.5
b) Outstanding fees and other income	4,635.7	3,676.9	3,315.0
c) Exchange fluctuation suspense with Government of India	1.0	25.0	50.4
d) Swap suspense	91.3	71.6	157.7
e) Deposits	32,988.4	25,767.0	19,924.9
f) Deferred tax asset (net)	2,294.0	1,642.8	612.5
g) Early retirement option expenses not written off	694.0	886.0	1,078.0
h) Others	57,710.1	39,633.3	26,939.8
TOTAL OTHER ASSETS	**162,282.5**	**126,575.2**	**98,823.2**

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Banks' name.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 12—CONTINGENT LIABILITIES

		As on 30.09.2006	As on 31.03.2006	As on 30.09.2005
I.	Claims against the Bank not acknowledged as debts	36,893.1	29,777.2	26,459.7
II.	Liability for partly paid investments	168.5	168.5	168.5
III.	Liability on account of outstanding forward exchange contracts	1,081,254.3	918,315.0	797,877.8
IV.	Guarantees given on behalf of constituents			
	a) In India	188,307.1	170,909.5	150,445.2
	b) Outside India	25,129.2	20,118.1	18,630.6
V.	Acceptances, endorsements and other obligations	138,359.8	106,867.5	73,522.2
VI.	Currency swaps	230,779.1	172,422.9	139,274.6
VII.	Interest rate swaps, currency options and interest rate futures	2,859,580.4	2,471,920.1	1,854,048.9
VIII.	Other items for which the Bank is contingently liable	93,105.2	59,837.9	49,424.6
TOTAL CONTINGENT LIABILITIES		**4,653,576.7**	**3,950,336.7**	**3,109,852.1**

Schedules forming part of the profit and loss account

SCHEDULE 13—INTEREST EARNED

	Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
		Rupees in million	
I. Interest/discount on advances/bills	72,273.6	102,065.9	45,543.2
II. Income on investments	28,272.6	36,927.6	16,864.5
III. Interest on balances with Reserve Bank of India and other inter-bank funds	4,041.0	3,354.6	1,555.6
IV. Others[1]	493.4	713.2	489.9
TOTAL INTEREST EARNED	**105,080.6**	**143,061.3**	**64,453.2**

1. Includes interest on income tax refunds of Rs. 279.5 million (March 31, 2006: Rs. 399.8 million; September 30, 2005: Rs. 280.6 million).

SCHEDULE 14—OTHER INCOME

	Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
		Rupees in million	
I. Commission, exchange and brokerage	19,446.9	30,019.6	12,518.2
II. Profit/(Loss) on sale of investments (net)	3,096.7	7,497.5	3,653.3
III. Profit/(Loss) on revaluation of investments (net)	395.1	(534.8)	(66.4)
IV. Profit/(Loss) on sale of land, buildings and other assets (net)[1]	410.5	71.2	43.8
V. Profit/(Loss) on foreign exchange transactions (net)	1,597.3	4,730.8	1,830.0
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/ in India	1,356.5	3,386.9	2,101.4
VII. Miscellaneous income (including lease income)	2,173.9	4,660.2	1,940.2
TOTAL OTHER INCOME	**28,476.9**	**49,831.4**	**22,020.5**

1. Includes profit/(loss) on sale of assets given on lease.

SCHEDULE 15—INTEREST EXPENDED

	Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
		Rupees in million	
I. Interest on deposits	53,384.8	58,366.8	26,289.8
II. Interest on Reserve Bank of India/inter-bank borrowings[1]	5,920.2	9,254.2	3,869.9
III. Others (including interest on borrowings of erstwhile ICICI Limited)	15,252.9	28,353.5	13,903.9
TOTAL INTEREST EXPENDED	**74,557.9**	**95,974.5**	**44,063.6**

1. Includes interest paid on inter-bank deposits.

Schedules forming part of the profit and loss account—(Continued)

SCHEDULE 16—OPERATING EXPENSES

		Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
		Rupees in million		
I.	Payments to and provisions for employees	7,497.2	10,822.9	4,702.0
II.	Rent, taxes and lighting	1,428.3	2,348.0	1,115.0
III.	Printing and stationery	661.5	1,110.4	499.2
IV.	Advertisement and publicity	907.2	1,855.5	864.3
V.	Depreciation on Bank's property (including non-banking assets)	1,743.7	3,471.7	1,656.9
VI.	Depreciation (including lease equalisation) on leased assets	1,024.4	2,766.3	1,282.4
VII.	Directors' fees, allowances and expenses	1.5	3.2	1.6
VIII.	Auditors' fees and expenses	10.0	18.5	9.3
IX.	Law charges	108.7	112.4	49.1
X.	Postages, telegrams, telephones, etc.	1,337.8	2,157.6	953.8
XI.	Repairs and maintenance	1,564.3	2,580.7	1,191.6
XII.	Insurance	776.6	1,080.3	495.7
XIII.	Direct marketing agency expenses	7,179.5	11,770.6	5,114.9
XIV.	Other expenditure	6,326.5	9,913.5	4,325.9
TOTAL OPERATING EXPENSES		**30,567.2**	**50,011.5**	**22,261.7**

SCHEDULE 17—PROVISIONS AND CONTINGENCIES

		Half year ended 30.09.2006	Year ended 31.03.2006	Half year ended 30.09.2005
		Rupees in million		
I.	Income tax			
	— Current period tax	3,235.5	6,618.7	3,358.6
	— Deferred tax adjustment	(709.3)	(1,346.9)	(452.5)
	— Fringe benefit tax	219.8	263.5	110.0
II.	Wealth tax	15.0	30.0	15.0
III.	Provision for investments (including credit substitutes) (net)	5,334.3	7,766.6	3,306.3
IV.	Provision for advances (net)[1]	5,992.4	7,947.3	2,481.7
V.	Others	594.5	226.8	228.7
TOTAL PROVISIONS AND CONTINGENCIES		**14,682.2**	**21,506.0**	**9,047.8**

1. Includes provision on standard assets, non-performing advances, non-performing leased assets and other receivables.

SCHEDULE 18—SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

OVERVIEW

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Basis of preparation

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles ("GAAP") in India, the guidelines issued by Reserve Bank of India ("RBI") from time to time and practices generally prevalent within the banking industry in India. The Bank follows the accrual method of accounting, except where otherwise stated, and the historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

These financial statements have been prepared in accordance with Accounting Standard 25 on "Interim Financial Reporting" issued by the Institute of Chartered Accountants of India ("ICAI").

Equity issue

During the year ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below.

Details	No. of equity shares	Amount of share premium	Aggregate proceeds
	Rupees in million except per share data		
Fully paid equity shares of Rs.10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	35,588.3
Fully paid equity shares of Rs.10 each at a premium of Rs. 488.75 per share[1]	28,894,060	14,122.0	14,410.9
18,618,730 American Depository Share ("ADS") at a price of US$26.75 per share[2]	37,237,460	22,134.6	22,506.9
Fully paid equity shares of Rs.10 each issued by exercise of the green shoe option	14,285,714	7,357.1	7,500.0
Total	**148,204,556**	**78,524.2**	**80,006.1**

1. Unpaid calls of Rs. 0.1 million (Unpaid share premium Rs. 32.3 million).
2. Includes green shoe option of 2,428,530 ADSs.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets ("NPAs") where it is recognised, upon realisation, as per the prudential norms of RBI.

b) Income from hire purchase operations is accrued by applying the implicit interest rate on outstanding balances.

c) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases entered into till March 31, 2001 have been accounted for as operating leases. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.

d) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

e) Dividend is accounted on an accrual basis when the right to receive the dividend is established.

f) All other fee income is recognised upfront when it becomes due.

g) Net income arising from sell-down of loan assets is recognised upfront in interest income. With effect from February 1, 2006, net income arising from securitisation of loan assets is amortised over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. Net income arising from sale of loan assets through direct assignment is recognised at the time of sale.

h) Guarantee commission is recognised on a straight-line basis over the period of the guarantee.

2. Investments

Investments are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as given below.

a) All investments are classified into 'Held to Maturity', 'Available for Sale' (AFS) and 'Held for Trading'. Reclassifications, if any, in any category are accounted for as per RBI guidelines. Under each classification, the investments are further categorised as (a) government securities (b) other approved securities (c) shares (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of the securities acquired is amortised over the remaining period to maturity on the basis of constant effective yield. A provision is made for other than temporary diminution in the profit and loss account.

c) 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. Any premium over the face value of the investments in government securities only, classified as AFS, is amortised over the remaining period to maturity on the basis of constant effective yield. Quoted investments are valued based on the trades/quotes on the recognized stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1 as per RBI guidelines.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each category, if any, being unrealised, is ignored, while net depreciation is provided for.

d) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account.

e) Investments in subsidiaries/joint ventures are categorised as 'Held to Maturity' in accordance with RBI guidelines.

f) Profit on sale of investments in the 'Held to Maturity' category is credited to the profit and loss account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit on sale of investments in 'Available for Sale' and 'Held for Trading' categories is credited to profit and loss account.

g) Repurchase and reverse repurchase transactions are accounted for in accordance with the extant RBI guidelines.

h) Broken period interest on debt instruments is treated as a revenue item.

i) At the end of each reporting period, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by RBI from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value ("NAV"), obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period / year end.

j) The Bank follows trade date method for accounting of its investments.

3. Provisions / Write-offs on loans and other credit facilities

a) All credit exposures are classified as per RBI guidelines, into performing and non-performing assets ("NPAs"). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. In the case of corporate loans provisions are made for sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided / written off as per the extant RBI guidelines. Subject to the minimum provisioning levels prescribed by RBI, provision on homogeneous loans relating to retails assets is assessed on a portfolio level, on the basis of days past due.

b) For restructured / rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the present value of the interest sacrifice be provided at the time of restructuring.

c) In the case of loan accounts classified as NPAs (other than those subjected to restructuring), the account is upgraded as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance of the account during the period.

d) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

e) In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision covers the requirements of the RBI guidelines.

f) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the provision is required to be held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4. Transfer and servicing of assets

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains / losses, net of provisions, are accounted for only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans is measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitisation.

In accordance with the RBI guidelines, with effect from February 1, 2006, the Bank accounts for any loss arising on sale immediately at the time of sale and the profit/premium arising on account of sale is amortised over the life of the securities issued or to be issued by the Special Purpose Vehicle (SPV) to which the assets are sold.

5. Fixed assets and depreciation

Premises and other fixed assets are carried at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956, are given below.

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%
Plant and machinery like air conditioners, photo-copying machines, etc.	10.00%
Computers	33.33%
Card acceptance devices[1]	16.67%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including Software and system development expenses)	25.00%

1. EDC terminals

a) Depreciation on leased assets and leasehold improvements is recognised on a straight-line basis using rates determined with reference to the primary period of lease or rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher.

b) Assets purchased / sold during the year are depreciated on a pro-rata basis for the actual number of days the asset has been put to use.

c) Items costing up to Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

6. Foreign currency transactions

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at weekly average closing rate, and income and expenditure of non-integral foreign operations (foreign branches and offshore banking units) are translated at quarterly average closing rate.

Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profits/ losses from exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations.

The premium or discount arising on inception of forward exchange contracts that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction is amortised over the life of the contract. All other outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities on account of guarantees, endorsements and other obligations denominated in foreign currencies are disclosed at the closing exchange rates notified by FEDAI at the balance sheet date.

7. Accounting for derivative contracts

The Bank enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet / off-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of underlying assets and accounted pursuant to the principles of hedge accounting. Hedged swaps / options are accounted for on an accrual basis.

Foreign currency and rupee derivatives, which are entered for trading purposes, are marked to market and the resulting gain or loss, (net of provisions, if any) is accounted for in the profit and loss account.

8. Employee Stock Option Scheme ("ESOS")

Employees Stock Option Scheme ("the scheme ") provides for the grant of equity shares of the Bank to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employees compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. The fair market price is the latest closing price, immediately prior to the date of the Board of Directors meeting in which the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

Since the exercise prices of the Bank's stock options are equal to the fair market price, there is no compensation cost under the intrinsic value method.

9. Staff Retirement Benefits

Gratuity

ICICI Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI, employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

The gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company Limited. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company Limited. The investments of the funds are made according to rules prescribed by the Government of India. The gratuity fund for employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turn over as per the projected unit method.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of retirement benefits created by the Bank at March 31, 2006 have been included in Schedule 2 ("Reserves and Surplus").

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated two-third balance. ICICI Bank also gives cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment.

Up to March 31, 2005, the superannuation fund was administered solely by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Life Insurance Company Limited.

Pension

The Bank provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan pertains to Bank of Madura which was merged with ICICI Bank with effect from March, 2001.

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the Government of India.

Leave encashment

The Bank provides for leave encashment benefit, which is a defined benefit scheme, based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

10. Income Taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses and carry forward capital losses, only if there is virtual certainty that such deferred tax asset can be realised against future profits.

11. Impairment of Assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

12. Provisions, contingent liabilities and contingent assets

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements. The Bank does not account for contingent assets, if any.

13. Earnings Per Share ("EPS")

Basic earnings per share is calculated by dividing the net profit or loss for the period / year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year.

Diluted earning per share reflects the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the period / year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

14. Lease Transactions

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

15. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account RBI guidelines in this regard.

1. Capital adequacy ratio

The capital to risk weighted assets ratio (CRAR) as assessed on the basis of the financial statements and guidelines issued by RBI is given in the table below.

	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
Tier I capital	219,203.3	191,815.3	108,317.5
(of which Lower Tier I)	*22,710.0*	—	—
Tier II capital	115,824.9	86,610.9	64,120.2
(of which Upper Tier II)	*12,552.0*	—	—
Total capital	335,028.2	278,426.2	172,437.7
Total risk weighted assets	2,336,998.2	2,085,935.9	1,496,416.2
CRAR (%)	14.34%	13.35%	11.52%
CRAR—Tier I capital (%)	9.38%	9.20%	7.24%
CRAR—Tier II capital (%)	4.96%	4.15%	4.28%
Amount of subordinated debt raised as Tier II capital/Tier I capital during the period/year	56,612.0	39,730.0	10,250.0

2. Business/information ratios (annualised)

The business/information ratios for the half year ended September 30, 2006, for the year ended March 31, 2006 and for the half year ended September 30, 2005 are given in the table below.

	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
(i) Interest income to working funds[1]	7.79%	7.30%	7.29%
(ii) Non-interest income to working funds[1]	2.11%	2.54%	2.49%
(iii) Operating profit to working funds[1]	2.11%	2.39%	2.28%
(iv) Return on assets[2]	1.02%	1.30%	1.26%
(v) Profit per employee (Rs. in million)	0.9	1.0	1.0

1. For the purpose of computing the ratios, working funds represent the average of total assets as reported to RBI under Section 27 of the Banking Regulation Act, 1949.
2. For the purpose of computing the ratio, assets represent average total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
(vi) Business per employee (average deposits plus average advances)	113.7	90.5	91.1

3. Information about business and geographical segments

- **Consumer and Commercial Banking** comprising the retail and corporate banking operations of the Bank.
- **Investment Banking** comprising the treasury operations of the Bank.

Inter-segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as on September 30, 2006, March 31, 2006 and September 30, 2005 and segmental profit & loss account for the half year ended September 30, 2006, for the year ended March 31, 2006, for the half year ended September 30, 2005 have been prepared.

Business segmental results are given below.

	Particulars	Consumer and commercial banking		Investment banking		Total	
		For the half year ended September 30, 2006	For the half year ended September 30, 2005	For the half year ended September 30, 2006	For the half year ended September 30, 2005	For the half year ended September 30, 2006	For the half year ended September 30, 2005
				Rupees in million			
1.	Revenue	106,977.5	69,752.5	34,915.3	23,439.9	141,892.8	93,192.4
2.	Less: Inter-segment revenue					(8,335.3)	(6,718.7)
3.	Total revenue (1)–(2)					133,557.5	86,473.7
4.	Operating profit (i.e. profit before unallocated expenses, and tax)	18,836.9	14,292.1	9,787.6	6,048.3	28,624.5	20,340.4
5.	Unallocated expenses					192.0	192.0
6.	Provisions (net)	6,759.9	2,061.5	5,161.4	3,955.2	11,921.3	6,016.7
7.	**Profit before tax**	**12,077.0**	**12,230.6**	**4,626.2**	**2,093.1**	**16,511.2**	**14,131.7**
8.	Income tax expenses (net of deferred tax credit)					2,761.0	3,031.1
9.	**Net profit(7)-(8)**					**13,750.2**	**11,100.6**
10.	Segment assets	1,768,345.0	1,207,334.0	1,019,483.0	657,880.2	2,787,828.0	1,865,214.2
11.	Unallocated assets					35,897.4	26,970.6
12.	**Total assets (10)+(11)**					**2,823,725.4**	**1,892,184.8**
13.	Segment liabilities	2,220,137.3	1,440,845.1	603,588.1	451,339.7	2,823,725.4	1,892,184.8
14.	Unallocated liabilities						
15.	**Total liabilities (13)+(14)**					**2,823,725.4**	**1,892,184.8**

	Particulars	For the year ended March 31, 2006		
		Consumer and commercial banking	Investment banking	Total
			Rupees in million	
1.	Revenue	154,085.3	49,725.0	203,810.3
2.	Less: Inter-segment revenue			(10,917.6)
3.	Total revenue (1)–(2)			192,892.7
4.	Operating profit (i.e. Profit before unallocated expenses, and tax)	33,870.5	13,420.2	47,290.7
5.	Unallocated expenses			384.0
6.	Provisions (net)	7,320.2	8,620.5	15,940.7
7.	**Profit before tax**	**26,550.3**	**4,799.7**	**30,966.0**
8.	Income tax expenses (net of deferred tax credit)			5,565.3
9.	**Net profit (7)-(8)**			**25,400.7**
10.	Segment assets	1,643,838.9	839,301.3	2,483,140.2
11.	Unallocated assets			30,749.3
12.	**Total assets (10)+(11)**			**2,513,889.5**
13.	Segment liabilities	1,923,206.7	590,682.8	2,513,889.5
14.	Unallocated liabilities			—
15.	**Total liabilities (13)+(14)**			**2,513,889.5**

Geographical segments

The Bank reports its operations under the following geographical segments.

- **Domestic Operations** comprises branches having operations in India.
- **Foreign Operations** comprises branches having operations outside India and offshore banking unit having operations in India.

Geographical segmental results are given below.

	Particulars	Domestic Operations		Foreign Operations		Total	
		For the half year ended September 30, 2006	For the year ended March 31, 2006	For the half year ended September 30, 2006	For the year ended March 31, 2006	For the half year ended September 30, 2006	For the year ended March 31, 2006
		Rupees in million					
1.	Revenue	124,845.7	183,348.0	8,711.8	9,544.7	133,557.5	192,892.7

	Particulars	Domestic Operations		Foreign Operations		Total	
		As on September 30, 2006	As on March 31, 2006	As on September 30, 2006	As on March 31, 2006	As on September 30, 2006	As on March 31, 2006
2.	Assets	2,569,915.8	2,295,744.9	253,809.6	218,144.6	2,823,725.4	2,513,889.5

Hitherto the business operations of the Bank were largely concentrated in India. The assets and income from foreign operations were not significant to the overall operations of the Bank and have accordingly not been disclosed for earlier comparative period.

4. Earnings Per Share

Basic and diluted earnings per equity share are computed in accordance with Accounting Standard 20, "Earnings per Share". Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the period / year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period / year.

The computation of earnings per share is given below.

	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
	Rupees in million except per share data		
Basic (not annualised for the period)			
Weighted average no. of equity shares outstanding	891,603,833	781,693,773	738,954,333
Net profit	13,750.2	25,400.7	11,100.6
Basic earnings per share (Rs.)	15.42	32.49	15.02
Diluted (not annualised for the period)			
Weighted average no. of equity shares outstanding	898,684,619	789,963,635	746,683,470
Net profit	13,750.2	25,400.7	11,100.6
Diluted earnings per share (Rs.)	15.30	32.15	14.87
Nominal value per share (Rs.)	10.00	10.00	10.00

The dilutive impact is due to options granted to employees by the Bank.

5. Maturity pattern

- In compiling the information of maturity pattern (refer 5. (a), (b) and (c) below), certain estimates and assumptions have been made by the management.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

a) The maturity pattern of assets and liabilities of the Bank as on September 30, 2006 is given below.

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total foreign currency assets	Total foreign currency liabilities
			Rupees in million			
1 to 14 days	62,492.2	85,081.3	137,615.6	7,564.5	60,396.5	32,572.2
15 to 28 days	19,806.4	51,289.5	63,897.8	3,960.5	11,618.0	9,571.2
29 days to 3 months	92,990.7	82,929.8	260,851.3	19,309.3	30,656.1	34,474.1
3 to 6 months	111,312.4	90,828.5	417,473.3	68,151.4	30,492.5	73,515.5
6 months to 1 year	165,157.7	149,149.0	370,301.4	79,089.0	29,950.3	64,904.4
1 to 3 years	538,250.6	157,616.8	579,645.2	86,257.1	33,419.3	61,787.3
3 to 5 years	209,318.4	50,715.3	43,196.7	73,998.8	47,440.2	48,297.5
Above 5 years	354,706.5	162,312.7	22,012.4	21,733.6	79,547.6	16,228.9
Total	**1,554,034.9**	**829,922.9**	**1,894,993.7**	**360,064.2**	**323,520.0**	**341,351.1**

1. Includes foreign currency balances.

b) The maturity pattern of assets and liabilities of the Bank as on March 31, 2006 is given below.

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total foreign currency assets	Total foreign currency liabilities
			Rupees in million			
1 to 14 days	75,450.2	103,983.4	149,071.4	31,237.0	41,679.5	37,847.1
15 to 28 days	8,865.2	44,993.6	69,193.3	10,049.4	11,454.3	18,646.8
29 days to 3 months	75,231.3	81,976.1	255,473.5	53,804.3	37,365.6	59,270.5
3 to 6 months	89,859.5	64,510.5	231,693.4	46,661.4	32,628.1	28,415.9
6 months to 1 year	145,066.0	93,267.8	388,402.8	53,160.2	29,919.0	57,175.5
1 to 3 years	591,575.5	142,607.5	520,604.7	72,646.8	37,734.5	43,054.4
3 to 5 years	165,878.4	41,030.3	14,002.1	94,981.8	41,477.4	67,547.5
Above 5 years	309,705.0	143,104.7	22,390.5	22,678.2	49,596.3	12,765.4
Total	**1,461,631.1**	**715,473.9**	**1,650,831.7**	**385,219.1**	**281,854.7**	**324,723.1**

1. Includes foreign currency balances.

c) The maturity pattern of assets and liabilities of the Bank as on September 30, 2005 is given below.

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total foreign currency assets	Total foreign currency liabilities
			Rupees in million			
1 to 14 days	80,373.2	49,326.2	119,584.8	21,545.2	31,407.7	23,200.0
15 to 28 days	13,130.5	38,025.0	38,795.6	6,114.1	5,543.0	9,320.1
29 days to 3 months	46,990.3	52,386.4	148,434.2	37,286.1	26,244.9	30,911.1
3 to 6 months	62,156.0	67,263.6	207,067.9	56,179.6	25,877.8	48,251.8
6 months to 1 year	101,422.4	64,840.5	228,551.9	50,461.5	15,909.2	31,620.8
1 to 3 years	369,203.7	116,701.5	431,696.3	73,998.9	29,477.3	27,665.8
3 to 5 years	147,207.2	37,151.4	21,861.9	71,022.1	38,453.7	40,740.9
Above 5 years	250,226.4	127,478.3	8,530.8	24,578.5	46,396.6	14,536.7
Total	**1,070,709.7**	**553,172.9**	**1,204,523.4**	**341,186.0**	**219,310.2**	**226,247.2**

1. Includes foreign currency balances.

6. Related party transactions

The Bank has transactions with its related parties comprising of subsidiaries, associates, joint ventures and key management personnel. The following are the significant transactions between the Bank and its related parties.

Insurance services

During the half year ended September 30, 2006, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 540.5 million (March 31, 2006: Rs. 829.6 million, September 30, 2005: Rs. 200.1 million). During the half year ended September 30, 2006, the Bank received claims from insurance joint ventures amounting to Rs. 3.8 million (March 31, 2006: Rs. 16.8 million, September 30, 2005: Rs. 0.1 million).

Fees and commission

During the half year ended September 30, 2006, the Bank received fees from its subsidiaries and joint ventures amounting to Rs. 1,960.2 million (March 31, 2006: Rs. 2,280.5 million, September 30, 2005: Rs. 525.0 million) and commission of Rs. 7.0 million (March 31, 2006: Rs. 9.9 million, September 30, 2005: Rs. 6.1 million) on account of guarantees and letters of credit issued for subsidiaries.

Lease of premises and facilities

During the half year ended September 30, 2006, the Bank charged an aggregate amount of Rs. 252.1 million (March 31, 2006: Rs. 443.7 million, September 30, 2005: Rs. 215.5 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

Sale/purchase of housing loan portfolio

During the half year ended September 30, 2006, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 6,533.9 million (March 31, 2006: Rs. 37,711.0 million, September 30, 2005: Rs. 3,550.0 million). During the half year ended September 30, 2006, the Bank purchased housing portfolio from its subsidiary amounting to Rs. Nil (March 31, 2006: Rs. 18,307.7 million, September 30, 2005: Rs. Nil).

Secondment of employees

During the half year ended September 30, 2006, the Bank received Rs. 5.3 million (March 31, 2006: Rs. 3.0 million, September 30, 2005: Rs. 2.3 million) from subsidiaries and joint ventures for secondment of employees.

Purchase of investments

During the half year ended September 30, 2006, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 14,547.6 million (March 31, 2006: Rs. 15,255.5 million, September 30, 2005: Rs. 8,941.3 million) and from its associates amounting to Rs. 2,100.0 million (March 31, 2006: Rs. Nil, September 30, 2005: Rs. Nil).

Sale of investments

During the half year ended September 30, 2006, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 3,947.7 million (March 31, 2006: Rs. 6,757.7 million, September 30, 2005: Rs. 5,671.1 million) and to its associates amounting to Rs. Nil (March 31, 2006: Rs. 1,545.0 million, September 30, 2005: Rs. 1,545.0 million). On the sales made to subsidiaries and joint ventures, the Bank accounted for a gain of Rs. 78.2 million (March 31, 2006: Gain of Rs. 16.7 million, September 30, 2005: Gain of Rs. 11.7 million) and on the sale made to associates, the Bank accounted for a gain of Rs. Nil (March 31, 2006: Gain of Rs. 10.1 million, September 30, 2005: Gain of Rs. 10.1 million).

Redemption / Buyback and Conversion of investments

During the half year ended September 30, 2006, consideration of Rs. Nil (March 31, 2006: Rs. 1,078.9 million, September 30, 2005: Rs. 765.9 million) was received on account of buyback / capital reduction of equity shares by subsidiaries and a gain amounting to Rs. Nil (March 31, 2006: Rs. 620.6 million, September 30, 2005: Rs. 393.0 million) was accounted in the books. Units in associates amounting to Rs. 1,296.6 million (March 31, 2006: Rs. 1,162.3 million, September 30, 2005: Rs. 664.0 million) were redeemed during the half-year.

Reimbursement of expenses

During the half year ended September 30, 2006, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 1,717.9 million (March 31, 2006: Rs. 3,397.8 million, September 30, 2005: Rs. 1,552.9 million).

Brokerage Expenses

During the half year ended September 30, 2006, the Bank paid brokerage to its subsidiary amounting to Rs. 30.6 million (March 31, 2006: Rs. 13.6 million, September 30, 2005: Rs. 4.7 million).

Custodial charges income

During the half year ended September 30, 2006, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 14.5 million (March 31, 2006: Rs. 15.8 million, September 30, 2005: Rs. 5.8 million) and associates amounting to Rs. 2.8 million (March 31, 2006: Rs. 5.4 million, September 30, 2005: Rs. 4.4 million).

Interest expenses

During the half year ended September 30, 2006, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 151.5 million (March 31, 2006: Rs. 384.2 million, September 30, 2005: Rs. 195.4 million) and associates amounting to Rs. 0.3 million (March 31, 2006: Rs. Nil, September 30, 2005: Rs. Nil).

Interest income

During the half year ended September 30, 2006, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 61.1 million (March 31, 2006: Rs. 613.6 million, September 30, 2005: Rs. 256.7 million) and from its key management personnel[1] Rs. 0.2 million (March 31, 2006: Rs. 0.5 million, September 30, 2005: Rs. 0.3 million).

Other income

During the half year ended September 30, 2006, the loss on derivative transactions entered into with subsidiaries and joint ventures was Rs. 132.8 million (March 31, 2006: Gain of Rs. 245.3 million, September 30, 2005: Loss of Rs. 192.5 million).

Dividend income

During the half year ended September 30, 2006, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 1,046.5 million (March 31, 2006: Rs. 1,635.6 million, September 30, 2005: Rs. 917.4 million) and from its associates amounting to Rs. 310.1 million (March 31, 2006: Rs. 1,808.2 million, September 30, 2005: Rs. 1,637.4 million).

Dividend paid

During the half year ended September 30, 2006, the Bank paid dividend to its key management personnel amounting to Rs. 4.4 million (March 31, 2006: Rs. 3.2 million, September 30, 2005: Rs. 3.2 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the half year ended September 30, 2006 was Rs. 51.5 million (March 31, 2006: Rs. 75.9 million, September 30, 2005: Rs. 49.0 million).

Lines of credit

As on September 30, 2006, the Bank had issued line of credit to its subsidiaries amounting to Rs. 4,592.5 million (March 31, 2006: Rs. 4,461.5 million, September 30, 2005: Rs. 4,405.0).

Letter of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK Limited, ICICI Bank Eurasia LLC and ICICI Bank Canada Limited. The details of the same are given in the table below.

On behalf of	To	Purpose
ICICI Bank UK Limited	Financial Services Authority, UK ("FSA")	To financially support ICICI Bank UK Limited to ensure that it meets all of its financial obligations as they fall due.
ICICI Bank Canada	Office of the Superintendent of Financial Institutions, Canada ("OSFI")	To infuse additional capital should ICICI Bank Canada's capital fall below the minimum requirement and provide ICICI Bank Canada ongoing financial, managerial and operational support.
ICICI Bank Canada	Canada Deposit Insurance Corporation ("CDIC")	To comply with the Bank Act and the CDIC regulations or by-laws there under and to indemnify CDIC against all losses, damages, reasonable costs and expenses arising from failure of ICICI Bank Canada in performing the same.
ICICI Bank Eurasia LLC	ICICI Bank UK Limited	To confirm that ICICI Bank is aware of ICICI Bank UK Limited granting short-term money, foreign exchange and derivative lines of credit to ICICI Bank Eurasia Limited Liability Company.

Related party balances

The balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel included in the balance sheet as on September 30, 2006 are given below.

Items	Subsidiaries/ Joint ventures	Associates	Key management personnel[1]	Total
	Rupees in million			
Deposits with ICICI Bank	3,662.3	28.1	18.4	3,708.8
Deposits of ICICI Bank[2]	7,346.8	—	—	7,346.8
Call/ Term money borrowed	—	—	—	—
Advances	2,068.8	—	13.8	2,082.6
Investments of ICICI Bank	38,650.1	15,242.4	—	53,892.5
Investments of related parties in ICICI Bank	1,091.7	—	5.0	1,096.7
Receivables	918.3	2.0	—	920.3
Payables	504.0	—	—	504.0
Repo	—	—	—	—
Reverse repo	1,820.0	—	—	1,820.0
Guarantees[3]	3,662.2	—	—	3,662.2
Letters of comfort[4]	43,389.4	—	—	43,389.4
Swaps/forward contracts	189,909.4	—	—	189,909.4
Participation certificate	3,833.1	—	—	3,833.1

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/key management personnel during the half year ended September 30, 2006 is given below.

Items	Subsidiaries/ Joint ventures	Associates	Key management personnel[1]	Total
	Rupees in million			
Deposits with ICICI Bank	16,238.9	3,148.5	39.8	19,427.2
Deposits of ICICI Bank[2]	12,537.3	—	—	12,537.3
Call / Term money borrowed	230.2	—	—	230.2
Advances	2,243.6	—	15.4	2,259.0
Investments of ICICI Bank	38,650.1	16,539.2	—	55,189.3
Investments of related parties in ICICI Bank	1,091.7	—	5.4	1,097.1
Receivables	1,181.2	2.0	—	1,183.2
Payables	915.5	—	—	915.5
Repo	—	—	—	—
Reverse repo	1,880.0	—	—	1,880.0
Guarantees[3]	3,670.5	—	—	3,670.5
Letters of comfort[4]	46,484.5	—	—	46,484.5
Swaps/forward contracts	189,909.4	—	—	189,909.4
Participation certificate	3,837.0	—	—	3,837.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The balances payable to/ receivable from subsidiaries/joint ventures/associates/key management personnel included in the balance sheet as on March 31, 2006 are given below.

Items	Subsidiaries/ Joint ventures	Associates	Key management personnel[1]	Total
		Rupees in million		
Deposits with ICICI Bank	8,734.8	274.9	25.0	9,034.7
Deposits of ICICI Bank[2]	11,339.7	—	—	11,339.7
Call/ Term money borrowed	—	—	—	—
Advances	1,631.9	—	15.4	1,647.3
Investments of ICICI Bank	29,263.2	14,228.5	—	43,491.7
Investments of related parties in ICICI Bank	447.5	—	4.3	451.8
Receivables	666.0	2.0	—	668.0
Payables	779.2	—	—	779.2
Repo	—	—	—	—
Reverse repo	—	—	—	—
Guarantees[3]	3,634.0	—	—	3,634.0
Letters of comfort[4]	30,059.6	—	—	30,059.6
Swaps/forward contracts	148,404.1	—	—	148,404.1
Participation certificate	2,320.0	—	—	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/key management personnel during the year ended March 31, 2006 is given below.

Items	Subsidiaries/ Joint ventures	Associates	Key management personnel[1]	Total
		Rupees in million		
Deposits with ICICI Bank	11,331.7	2,160.2	46.1	13,538.0
Deposits of ICICI Bank[2]	12,223.9	—	—	12,223.9
Call/Term money borrowed	7,490.3	—	—	7,490.3
Advances	2,245.8	—	21.2	2,267.0
Investments of ICICI Bank	29,960.3	14,726.8	—	44,687.1
Investments of related parties in ICICI Bank	547.1	—	4.4	551.5
Receivables	798.4	4.1	—	802.5
Payables	3,060.0	0.5	—	3,060.5
Repo	400.3	—	—	400.3
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	5,196.3	—	—	5,196.3
Letters of comfort[4]	30,815.7	—	—	30,815.7
Swaps/forward contracts	207,739.7	—	—	207,739.7
Participation certificate	2,320.0	—	—	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel included in the balance sheet as on September 30, 2005 are given below.

Items	Subsidiaries/ Joint ventures	Associates	Key management personnel[1]	Total
	Rupees in million			
Deposits with ICICI Bank	15,533.6	18.3	34.6	15,586.5
Deposits of ICICI Bank[2]	5,546.5	—	—	5,546.5
Call / Term money borrowed	1,589.3	—	—	1,589.3
Advances	1,246.9	—	16.3	1,263.2
Investments of ICICI Bank	24,072.3	14,726.8	—	38,799.1
Investments of related parties in ICICI Bank	3.2	—	4.0	7.2
Receivables	361.1	3.3	—	364.4
Payables	1,724.6	0.4	—	1,725.0
Repo	—	—	—	—
Reverse repo	—	—	—	—
Guarantees[3]	3,890.9	—	—	3,890.9
Letters of comfort[4]	30,815.7	—	—	30,815.7
Swaps/forward contracts	138,497.1	—	—	138,497.1
Participation certificate	2,215.1	—	—	2,215.1

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/key management personnel during the half year ended September 30, 2005 is given below.

Items	Subsidiaries/ Joint ventures	Associates	Key management personnel[1]	Total
	Rupees in million			
Deposits with ICICI Bank	15,538.8	2,160.2	46.1	17,745.1
Deposits of ICICI Bank[2]	14,527.1	—	—	14,527.1
Call/ Term money borrowed	2,882.3	—	—	2,882.3
Advances	1,447.8	—	19.7	1,467.5
Investments of ICICI Bank	24,072.3	14,726.8	—	38,799.1
Investments of related parties in ICICI Bank	101.7	—	4.0	105.7
Receivables	361.2	4.1	—	365.3
Payables	1,820.7	0.5	—	1,821.2
Repo	400.3	—	—	400.3
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	5,196.3	—	—	5,196.3
Letters of comfort[4]	30,815.7	—	—	30,815.7
Swaps/forward contracts	174,463.6	—	—	174,463.6
Participation certificate	2,215.1	—	—	2,215.1

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company

Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Bank Eurasia Limited Liability Company, TCW/ICICI Investment Partners L.L.C and TSI Ventures (India) Private Limited.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust.

7. Securitisation

The Bank sells loans through securitisation and direct assignment. The information on securitisation activity of the Bank as an originator for the half year ended September 30, 2006, for the year ended March 31, 2006 and for the half year ended September 30, 2005 is given in the table below.

	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
	Rupees in million except number of loans securitised		
Total number of loan assets securitised	783,524	909,130	556,829
Total book value of loan assets securitised	45,174.0	94,856.2	61,869.8
Sale consideration received for the securitised assets	45,625.0	102,856.6	66,791.0
Net gain/(loss) on account of securitisation	260.7[1]	4,032.4	3,053.8

1. Excludes unamortised gain.

	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
Outstanding credit enhancement	17,138.5	16,369.2	11,981.6
Outstanding liquidity facility	4,130.4	2,640.4	1,480.6
Outstanding servicing liability	502.8	695.6	562.7
Outstanding subordinate contributions	8,091.7	8,369.8	12,515.0

The Bank has also issued credit enhancement in the form of guarantees amounting to Rs. 1,231.9 million as on September 30, 2006 (March 31, 2006: Rs. Nil, September 30, 2005: Rs. Nil).

8. Staff retirement benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension, leave encashment and gratuity benefits is given below.

Particulars	Half year ended September 30, 2006	
	Pension	Gratuity
	Rupees in million	
Opening obligations	1,038.5	1,001.0
Service cost	3.4	110.5
Interest cost	38.9	37.8
Actuarial (gain) / loss	(58.7)	(20.6)
Benefits paid	(29.8)	(33.1)
Obligations as at September 30, 2006	**992.3**	**1,095.6**
Defined benefit obligation liability at September 30, 2006		
Opening plans assets, at fair value	1,079.5	785.4
Expected return on plan assets	39.4	31.2
Actuarial gain / (loss)	(21.3)	(37.9)
Contributions	2.1	133.0
Benefits paid	(29.8)	(33.1)
Plans assets at September 30, 2006, at fair value	**1,069.9**	**878.6**
Fair value of plan assets at the end of the period	1,069.9	878.6
Present value of the defined benefit obligations at the end of the period	992.3	1,095.6
Asset/(liability) at September 30, 2006	**77.6**	**(217.0)**
Cost for the period		
Service cost	3.4	110.5
Interest cost	38.9	37.8
Expected return on plan assets	(39.4)	(31.2)
Actuarial (gain)/loss	(37.3)	17.3
Net cost	**(34.4)**	**134.4**

Investment details of plan assets

Majority of the plan assets are invested in Government securities and corporate bonds in case of pension plan and insurer managed funds and special deposit schemes in case of gratuity plan.

Assumptions		
Interest rate	8.25%	8.25%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	7.50%	7.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

9. Employee Stock Option Scheme

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options.

In terms of the Scheme, 19,951,279 options (March 31, 2006: 17,362,584 options, September 30, 2005: 18,678,337 options) granted to eligible employees were outstanding at September 30, 2006.

A summary of the status of the Bank's stock option plan is given below.

	Stock options outstanding		
	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
Outstanding at the beginning of the period/year	17,362,584	18,215,335	18,215,335
Add: Granted during the period/year	62,67,400	4,981,780	4,976,780
Less: Forfeited/lapsed during the period/year	606,745	931,280	348,755
Exercised during the period/year[1]	3,071,960	4,903,251	4,165,023
Outstanding at the end of the period/year	**19,951,279**	**17,362,584**	**18,678,337**

1. Excludes options exercised but not allotted.

10. Preference shares

Certain government securities amounting to Rs. 2,051.1 million (March 31, 2006: Rs. 2,001.1 million, September 30, 2005: Rs. 1,954.4 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018, as per the original issue terms.

11. Appropriation of net profit

The Bank appropriates net profit only at year-end. Accordingly, the financial statements do not include appropriations to Statutory Reserve (Rs. 3,437.6 million) and Capital Reserve (Rs. 216.3 million).

12. Transfer to Investment Fluctuation Reserve ("IFR")

An amount of Rs. 2,143.4 million being the excess balance in Investment Fluctuation Reserve (IFR) account over the regulatory requirement was transferred to general reserve account during the year ended March 31, 2005. RBI has subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the general reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create Investment Fluctuation Reserve aggregating to 5% of their investments in fixed income securities (in AFS and Trading Book) over a five-year period starting from March 31, 2002. Accordingly a further amount of Rs. 5,900.0 million was transferred to IFR during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI has vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit & Loss Account.

Pursuant to the above, the entire IFR account balance of Rs. 13,203.4 million has been transferred from IFR to Revenue and other Reserves in the balance sheet during the year ended March 31, 2006.

13. Subordinated debt

a) During the half year ended September 30, 2006, the Bank raised subordinated perpetual debt qualifying for Tier I /Tier II amounting to Rs. 56,612.0 million The details of these bonds are given below.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option I	August 24, 2006	7.25% (semi-annually)[1]	Perpetual[2]	15,510.0
Total (Tier I)				**15,510.0**

1. Coupon rate of 7.25% payable semi-annually from August 24, 2006 (i) April 30 and October 31 of each year, at a fixed rate per annum of 7.25% till October 31, 2016 and (ii) thereafter semi-annually in arrears on April 30 and October 31 of each year at a variable rate equal to 6-month LIBOR plus 2.94%.
2. Call option exercisable after 10 years i.e. on August 17, 2016 and on every interest payment thereafter (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Tranche 2 Option I	September 13, 2006	9.98% (semi-annually)[1]	Perpetual[2]	5,500.0
Total (Tier I)				**5,500.0**

1. Coupon rate of 9.98% payable semi-annually for first 10 years, 100 basis points over and above the coupon rate of 9.98% i.e. 10.98% payable semi-annually for the balance years, if the call option is not exercised by the Bank.
2. Call option exercisable after 10 years i.e. on September 13, 2016 and on every interest payment date thereafter (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Tranche 1 Option 1	August 9, 2006	10.10% (semi-annually)[1]	Perpetual[2]	2,330.0
Total (Tier I)				**2,330.0**

1. Coupon rate of 10.10% payable semi-annually for first 10 years, 100 basis points over and above the coupon rate of 10.10% i.e. 11.10% payable semi-annually for the balance years, if the call option is not exercised by the Bank.
2. Call option exercisable after 10 years i.e. on August 9, 2016 and on every interest payment date thereafter (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Tranche 2 Option 1	July 17, 2006	9.50% Annual[1]	15 years[2]	10,000.0
Total (Upper Tier II)				**10,000.0**

1. Coupon rate of 9.50% for first 10 years. For next 5 years, 50 basis points over and above coupon rate of 9.50% i.e. 10.00%, if the call option is not exercised by the Bank.
2. Call option after 10 years.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Tranche 5 Option 1	June 22, 2006	8.95% Annual[1]	15 years[2]	2,552.0
Total (Upper Tier II)				**2,552.0**

1. Coupon rate of 8.95% for first 10 years. For next 5 years, 50 basis points over and above coupon rate of 8.95% i.e. 9.45%, if the call option is not exercised by the Bank.
2. Call option after 10 years.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Tranche 1 Option 1	July 11, 2006	9.00% Annual	10 years	20,000.0
Total (Tier II)				**20,000.0**

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Tranche 4 Option 1	May 19, 2006	8.50% Annual	10 years	230.0
Tranche 4 Option 2	May 19, 2006	8.60% Annual	12 years	140.0
Tranche 4 Option 3	May 19, 2006	8.40% Annual	5 years and 11 months	350.0
Total (Tier II)				**720.0**

b) During the year ended March 31, 2006, the Bank raised subordinate debt amounting to Rs. 39,730.0 million through private placements of bonds. The details of these bonds are given below.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Tranche 3 Option I	March 31, 2006	8.83% Annual	10 years and 15 days	2,500.0
Tranche 2 Option I	March 25, 2006	8.80% Annual	9 years 11 months and 19 days	20,000.0
Tranche 1 Option I	March 14, 2006	8.55% Annual	10 years and 1 month	2,500.0
Total (Tier II)				**25,000.0**

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Option I	February 14, 2006	8.15% Annual	10 years	1,190.0
Option II	February 14, 2006	8.25% Annual	15 years	370.0
Total (Tier II)				**1,560.0**

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Option II	December 30, 2005	7.60% (semi-annually)	10 years	1,010.0
Option III	December 30, 2005	7.75% (semi-annually)	12 years	1,020.0
Option IV	December 30, 2005	7.80% (semi-annually)	15 years	890.0
Total (Tier II)				**2,920.0**

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Option I	September 28, 2005	1 Yr INBMK[1] + 0.50% (To be reset semi-annually)	5 years and 7 months	2,250.0
Option II	September 28, 2005	7.50 % Annual	10 years	2,750.0
Total (Tier II)				**5,000.0**

1. INBMK—Indian Benchmark

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Option I	June 29, 2005	1 Yr INBMK[1] + 0.50 % (To be reset semi-annually)	5 years and 10 months	1,100.0
Option II	June 29, 2005	7.25% Annual	5 years and 10 months	770.0
Option III	June 29, 2005	7.45% Annual	10 years	3,380.0
Total (Tier II)				**5,250.0**

1. INBMK—Indian Benchmark

c) During the half year ended September 30, 2005, the Bank raised subordinate debt amounting to Rs. 10,250.0 million through private placement of bonds. The details of these bonds are given below.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Option I	September 28, 2005	1 Yr INBMK[1] + 0.50 % (To be reset semi-annually)	5 years and 7 months	2,250.0
Option III	September 28, 2005	7.50% Annual	10 years	2,750.0
Total (Tier II)				**5,000.0**

1. INBMK—Indian Benchmark

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option I	June 29, 2005	1 Yr INBMK[1] + 0.50 % (To be reset semi-annually)	5 years and 10 months	1,100.0
Option II	June 29, 2005	7.25% Annual	5 years and 10 months	770.0
Option III	June 29, 2005	7.45% Annual	10 years	3,380.0
Total (Tier II)				**5,250.0**

1. INBMK—Indian Benchmark.

14. Investments

The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on September 30, 2006, March 31, 2006 and September 30, 2005 is given below.

Particulars	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
	Rupees in million		
(1) Value of Investments			
(i) Gross value of investments			
(a) In India	783,229.1	675,324.8	533,303.2
(b) Outside India	51,437.5	45,215.5	25,553.1
(ii) Provisions for depreciation and fair value provision			
(a) In India	4,727.3	4,960.5	5,680.0
(b) Outside India	16.4	105.9	3.4
(iii) Net value of investments			
(a) In India	778,501.8	670,364.3	527,623.2
(b) Outside India	51,421.1	45,109.6	25,549.7

(2) Movement of provisions held towards depreciation on investments

	For the half year ended September 30, 2006	For the year ended March 31, 2006	For the half year ended September 30, 2005
	Rupees in million		
(i) Opening balance	5,066.4	6,079.1	6,079.1
(ii) Add: Provisions made during the period/year (including utilisation of fair value provision)	329.5	692.3	(395.7)
(iii) Less: Write-off/ write-back of excess provisions during the period/ year	(652.2)	(1,705.0)	—
(iv) Closing balance	**4,743.7**	**5,066.4**	**5,683.4**

15. Investment in non-SLR securities

i) Issuer composition of non-SLR investments

a) The issuer composition of non-SLR investments of the Bank as on September 30, 2006 is given below.

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
				Rupees in million		
			(a)	(b)	(c)	(d)
1	PSUs	2,657.9	251.5	32.1	0.5	32.6
2	Fis	12,219.1	2,934.3	—	8,034.9	8,034.9
3	Banks	24,474.5	5,249.0[3]	1,927.8	8,174.7	11,093.2[3]
4	Private corporates	39,744.4	17,041.7	1,171.0	16,773.3	14,432.1
5	Subsidiaries/Joint ventures	38,650.1	5,066.6	—	150.0	150.0
6	Others	1,09,771.9	40,929.5	26,461.9	0.1	—
7	Provision held towards depreciation	(4,736.1)				
	Total	**222,781.8**	**71,472.6**	**29,592.8**	**33,133.5**	**33,742.8**

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 2,620.3 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada. This also excludes investments in government securities Rs. 3,196.9 million and certificate of deposit Rs. 1,837.0 million of non-Indian origin made by overseas branches.
3. Includes Rs. 2,000.0 million of application money towards bonds issued by banks, which were subsequently allotted and listed.

b) The issuer composition of non-SLR investments of the Bank as on March 31, 2006 is given below.

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
				Rupees in million		
			(a)	(b)	(c)	(d)
1	PSUs	2,875.6	277.5	1,134.3	0.5	32.6
2	Fis	9,589.3	920.3	271.2	6,560.5	6,560.5
3	Banks	22,373.4	7,087.2	1,228.0	7,942.8	7,992.9
4	Private corporates	43,351.2	17,367.5	2,917.3	17,256.5	16,026.6
5	Subsidiaries/ Joint ventures	28,607.0	2,704.8	—	150.0	150.0
6	Others	102,976.4	23,422.4	23,422.1	0.3	—
7	Provision held towards depreciation	(5,043.9)	—	—	—	—
	Total	**204,729.0**	**51,779.7**	**28,972.9**	**31,910.6**	**30,762.6**

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 2,554.8 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada. This also excludes investments in government securities Rs. 1,342.3 million and certificate of deposit Rs. 223.1 million of non-Indian origin made by overseas branches.

c) The issuer composition of non-SLR investments of the Bank as on September 30, 2005 is given below.

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
				Rupees in million		
			(a)	(b)	(c)	(d)
1	PSUs	1,804.8	1,204.5	32.1	10.5	42.6
2	Fis	9,526.8	8,649.1	132.1	7,210.5	7,386.6
3	Banks	9,137.7	1,928.0	—	3,215.3	3,265.3
4	Private corporates	37,234.1	21,103.9	209.1	21,735.1	20,338.3
5	Subsidiaries/Joint ventures	22,778.3	2,675.1	—	150.0	150.0
6	Others	62,651.1	25,085.5	25,085.2	241.2	240.9
7	Provision held towards depreciation	(5,626.5)	—	—	—	—
	Total	**137,506.3**	**60,646.1**	**25,458.5**	**32,562.6**	**31,423.7**

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 2,525.1 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada. This also excludes investments in government securities Rs. 344.1 million of non-Indian origin made by overseas branches.

ii) Non-performing non-SLR investments

The movement in gross non-performing non-SLR investments of the Bank for the half year half ended September 30, 2006, year ended March 31, 2006 and half year ended September 30, 2005 are given below.

Particulars	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
		Rupees in million	
Opening balance	2,595.9	8,877.3	8,877.3
Additions during the period/year	811.7	2,158.0	1,543.0
Reduction during the period/year	(381.7)	(8,439.4)	(7,239.0)
Closing balance	3,025.9	2,595.9	3,181.3
Total provisions held	1,917.3	1,509.3	2,219.9

16. Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the half-year ended September 30, 2006, the year ended March 31, 2006 and the half-year ended September 30, 2005.

	Minimum outstanding balance during the half year/year	Maximum outstanding balance during the half year/year	Daily average outstanding balance during the half year/ year	Balance as on half year/ year end
		Rupees in million		
Half year ended September 30, 2006				
Securities sold under repurchase transaction	—	55,823.8	16,976.3	2,542.5
Securities purchased under reverse repurchase transaction	—	5,100.1	194.3	1,958.3
Year ended March 31, 2006				
Securities sold under repurchase transaction	—	43,134.3	15,296.0	10,000.0
Securities purchased under reverse repurchase transaction	—	33,608.7	1,214.9	—
Half year ended September 30, 2005				
Securities sold under repurchase transaction	—	43,134.3	14,925.0	3,612.0
Securities purchased under reverse repurchase transaction	—	33,608.7	1,757.7	—

Notes: The above figures do not include securities sold and purchased under Liquidity Adjustment Facility ("LAF") of RBI.

The above figures are for Indian branches only.

17. Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. The sensitive sectors include capital market, real estate and commodities.

The position of lending to capital market and commodities sector is given below.

	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
Capital market sector			
i) Investments made in equity shares	15,741.0	14,453.1	11,155.0
ii) Investments in convertible bonds/ convertible debentures	500.5	583.8	584.4
iii) Investments in units of equity—oriented mutual funds	50.6	200.6	2.7
iv) Advances against share to individuals for investment in equity shares (including IPOs /ESOPS), bonds and debentures, units of equity oriented mutual funds	7,858.7	5,470.1	4,220.1
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers[1]	14,973.0	7,485.9	8,935.0
Total[2]	**39,123.8**	**28,193.5**	**24,897.2**
vi) Of (v) above, the total finance extended to stockbrokers for margin trading	—	—	—
Commodities sector	39,467.4	29,849.4	16,842.1

1. Represents loans to non-banking financial companies ("NBFCs"), brokers and includes an amount of Rs. 66.3 million as on September 30, 2006 (March 31, 2006: Rs. 102.7 million, September 30, 2005: Rs. 102.7 million) pertaining to guarantee issued to a corporate for the issue of non-convertible debentures, the proceeds of which have been utilised for acquisition of shares by the corporate and includes Rs. 3,040.0 million issued on behalf of a corporate customer to ensure equity capital contribution. (March 31, 2006 : Rs. Nil, September 30, 2005 : Rs. Nil).
2. The total does not include exposure in venture capital funds amounting to Rs. 20,931.5 million as of September 30, 2006 (the total does not include exposure in unregistered venture capital funds March 31, 2006: Rs. 16,149.9 million, September 30, 2005: Rs. 16,164.8 million), which forms a part of capital market exposure.

The summary of lending to real estate sector is given below.

	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
Real estate sector			
I. Direct exposure	621,019.4	501,514.8	400,274.9
i) Residential mortgages,	514,389.2	431,668.5	327,337.4
— of which housing loans up to Rs. 1.5 million	284,542.8	263,796.5	216,055.5
ii) Commercial real estate[1]	100,546.1	69,846.0	71,319.9
iii) Investments in mortgage backed securities (MBS) and other securitised exposures	6,084.1	0.3	1,617.6
— a. Residential	6,084.1	0.3	1,617.6
— b. Commercial real estate	—	—	—
II. Indirect exposure	28,508.5	30,135.8	30,879.3
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	12,947.5	13,821.5	6,688.7
Others	15,561.0	16,314.3	24,190.6
Total	**649,527.9**	**531,650.6**	**431,154.2**

1. Commercial real estate exposure includes loans given to land and building developers for construction, corporates for their real estate requirements and to individuals for non-residential premises.
2. Excludes non-banking assets acquired in satisfaction of claims.

18. Credit exposure

a) As on September 30, 2006, the Bank had no single borrower exposure above 15% and no group borrower exposure above 40% of capital funds.

b) As on March 31, 2006, the Bank had no single borrower exposure above 15% and no group borrower exposure above 40% of capital funds.

c) As on September 30, 2005 the Bank had taken single borrower exposure above 15% with the approval of the Board of Directors in the cases given below.

Name of Borrower	As on September 30, 2005
	% to capital funds
Bharat Heavy Electricals Ltd.	17.52%
Essar Oil Ltd.	16.03%
ARCIL	16.02%

1. Includes exposure to security receipts issued by ARCIL.

19. Risk category-wise country-wise exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net) of the Bank in respect of United Kingdom is 1.21% of the total funded assets. As the net funded exposure to United Kingdom exceeds 1%, the Bank has made a provision of Rs. 68.5 million on country exposures as on September 30, 2006.

Risk category	Exposure (net) as on September 30, 2006	Provision held as at September 30, 2006	Exposure (net) as on March 31, 2006	Provision held as at March 31, 2006	Exposure (net) as on September 30, 2005	Provision held as at September 30, 2005
	Rupees in million					
Insignificant	184,662.8	68.5	118,755.5	63.6	85,606.0	—
Low	59,475.2	—	44,689.4	—	20,721.7	—
Moderate	29,326.3	—	24,372.9	—	12,052.2	—
High	5,614.7	—	3,357.7	—	2,150.1	—
Very High	—	—	—	—	—	—
Restricted	459.2	—	447.1	—	—	—
Off-Credit	688.9	—	223.1	—	—	—
Total	**279,227.1**	**68.5**	**191,845.7**	**63.6**	**120,530.0**	—
— of which funded	180,701.4	—	138,915.0		77,571.4	—

20. Advances

The details of movement of gross NPAs, net NPAs and provisions during the half year ended September 30, 2006, year ended March 31, 2006 and the half year ended September 30, 2005 are given in the table below.

Particulars	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
	Rupees in million		
(i) Net NPAs (funded) to Net Advances (%)	0.97%	0.72%	0.96%
(ii) Movement of NPAs (Gross)			
(a) Opening balance	22,225.9	27,704.3	27,704.3
(b) Additions during the period/year[1]	8,780.7	10,202.3	4,377.3
(c) Reductions during the period/year[1]	(1,308.0)	(15,680.7)	(7,824.4)
(e) Closing balance[2]	29,698.6	22,225.9	24,257.2
(iii) Movement of Net NPAs			
(a) Opening balance	10,526.8	15,052.7	15,052.7
(b) Additions during the period/year[1]	5,743.1	7,035.0	2,565.5
(c) Reductions during the period/year[1]	(1,177.6)	(11,560.9)	(7,293.1)
(e) Closing balance	15,092.3	10,526.8	10,325.1
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)			
(a) Opening balance[3]	11,427.5	12,368.5	12,368.5
(b) Provisions made during the quarter	4,040.8	5,601.2	3,042.2
(c) Write-off/ write-back of excess provisions	(1,173.6)	(6,542.2)	(1,740.9)
(d) Closing balance[3]	14,294.7	11,427.5	13,669.8

1. Excludes cases added to and deleted from NPAs in the same period/year with such gross loans amounting to Rs. 5,414.4 million (March 31, 2006: Rs. 1,714.7 million, September 30, 2005: Rs. 484.0 million) and such net loans amounting to Rs. 4,585.2 million (March 31, 2006: Rs. 1,463.2 million, September 30, 2005: Rs. 435.6 million).
2. Includes suspended interest and claims received from ECGC/DICGC of Rs. 311.6 million (March 31, 2006: Rs. 271.6 million, September 30, 2005: Rs. 262.3 million) on working capital loan.

3. Excludes technical write-off amounting to Rs. 6,290.1 million (March 31, 2006: Rs. 6,586.7 million, September 30, 2005: Rs. 14,565.3 million) and suspended interest and claims received from ECGC/DICGC of Rs. 311.6 million (March 31, 2006: Rs. 271.6 million, September 30, 2005: Rs. 262.3 million).

The movement of floating provision during the half year ended September 30, 2006 is given below.

v) Movement of floating provision	Half year ended September 30, 2006
	Rupees in million
(a) Opening balance	2,841.7
(b) Provisions made during the period /year	—
(c) Utilisation during the period / year	—
(d) Closing balance	**2,841.7**

The Bank has not created any additional floating provision during the half-year ended September 30, 2006.

21. Financial assets transferred during the period/year to Securitisation Company (SC)/Reconstruction Company (RC)

The Bank has transferred certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by RBI governing such transfer. For the purpose of the valuation of the underlying security receipts issued by the underlying trust managed by ARCIL, the security receipts are valued at their respective NAVs as advised by the ARCIL. The details of the assets transferred for the half year ended September 30, 2006, for the year ended March 31, 2006 and for the half year ended September 30, 2005 are given in the table below.

		Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
			Rupees in million	
A	No. of accounts	9	15	7
B	Aggregate value (net of provisions) of accounts sold to SC/RC	5,289.2	4,794.0	2,635.9
C	Aggregate consideration	5,112.1	4,066.3	2,195.0
D	Additional consideration realised in respect of accounts transferred in earlier years[1]	—	—	—
E	Aggregate gain/(loss) over net book value	(177.1)	(727.7)	(440.9)

1. During the half year ended September 30, 2006, ARCIL fully redeemed security receipts of six trusts. The Bank realised Rs. 643.5 million over the gross book value in respect of these trusts (March 31, 2006: Rs. 95.7 million, September 30, 2005: Rs. 60.1 million). The Bank also realised an additional amount of Rs. 23.6 million over the gross book value in respect of trust redeemed during the year ended March 31, 2006.

22. Provisions on standard assets

RBI has increased the requirement of general provisioning on standard loans (relating to personal loans, loans and advances qualifying as capital market exposure and residential housing loans beyond Rs. 2.0 million to 0.70% compared to 0.40% earlier. This will be increased to 1% in a graded manner by March 31, 2007 (i.e. 0.85% by December 31, 2006 and 1% by March 31, 2007). In accordance with the revised RBI guidelines on general provision of Rs. 1,340.0 million during the half year ended September 30, 2006. The provision on standard assets held by the Bank in accordance with RBI guidelines was Rs. 6,978.2 million at September 30, 2006 (March 31, 2006: Rs. 5,638.2 million, September 30, 2005: Rs. 2,658.1 million).

23. Provisions and contingencies

Break up of 'Provisions and contingencies' shown under the head Expenditure in Profit and Loss Account.

	Half year ended September 30, 2006
	Rupees in million
Provisions for depreciation of investments[1]	5,334.3
Provision towards non-performing assets	4,652.5
Provision towards standard assets	1,340.0
Provision made towards income tax	2,746.0
Provision made towards wealth tax	15.0
Other provision and contingencies	594.4

1. Including premium amortised on Government securities.

24. Information in respect of restructured assets

a) Details of loan assets subjected to restructuring are given below.

		Half year ended September 30, 2006			Half year ended September 30, 2005		
	Particulars	No	Amount	Interest Sacrifice	No	Amount	Interest Sacrifice
				Rupees in million			
(i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation:	4	381.2	—	2	3,838.2	233.0
	of which under CDR	3	256.4	—	2	3,838.2	233.0
	[(i) = (ii) + (iii) + (iv)]						
(ii)	The amount of standard assets subjected to restructuring, rescheduling, renegotiation:	4	381.2	—	2	3,838.2	233.0
	of which under CDR	3	256.4		2	3,838.2	233.0
(iii)	The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation:	—	—	—	—	—	—
	of which under CDR	—	—	—	—	—	—
(iv)	The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation:	—	—	—	—	—	—
	of which under CDR	—	—	—	—	—	—

		Year ended March 31, 2006		
	Particulars	No.	Amount	Interest Sacrifice
			Rupees in million	
(i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation:	5	4,139.4	50.7
	of which under CDR	4	4,077.0	50.7
	[(i) = (ii) + (iii) + (iv)]			
(ii)	The amount of standard assets subjected to restructuring, rescheduling, renegotiation:	2	4,055.5	50.7
	of which under CDR	2	4,055.5	50.7
(iii)	The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation:	1	62.4	—
	of which under CDR	—	—	—
(iv)	The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation:	2	21.5	—
	of which under CDR	2	21.5	—

Above details exclude cases that were approved by CDR forum and disclosed in the earlier years by the Bank and in which certain terms and conditions have been modified by CDR forum during the current year.

25. Details of non-performing assets sold, excluding those sold to SC/RC

The Bank has sold non-performing assets in terms of the guidelines issued by RBI circular no. DBOD.NO.BP.BC.16/21.04.048/2005-06 dated July 13, 2005 on such sale. The details of assets sold are given below.

Particulars	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
		Rupees in million	
1. No. of borrower accounts sold	—	366	—
2. Aggregate outstanding (Gross)	—	14,384.1	—
3. Aggregate consideration received	—	2,223.2	—

26. Fixed Assets

Fixed assets include software acquired by the Bank. The movement in software is given below.

Particulars	Half year ended September 30, 2006	Year ended March 31, 2006	Half year ended September 30, 2005
		Rupees in million	
At cost as on March 31st of preceding year	2,852.7	2,422.6	2,422.6
Additions during the period / year	507.5	430.1	191.6
Deductions during the period / year	(91.0)	—	—
Depreciation to date	(2,176.2)	(2,026.3)	(1,700.3)
Net block	1,093.0	826.4	913.9

27. Assets given on lease

27.1 Assets under operating lease

The details of future rentals receivable on operating leases are given below.

Period	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
Not later than one year	0.2	126.7	126.6
Later than one year and not later than five years	—	605.9	600.4
Later than five years	—	2.0	69.8
Total	0.2	734.6	796.8

27.2 Assets under finance lease

The details of finance leases are given below.

Period	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
		Rupees in million	
Total of future minimum lease receipts	705.7	817.1	958.0
Present value of lease receipts	611.9	695.1	802.6
Unmatured finance charges	93.8	122.0	155.4
Maturity profile of total of future minimum lease receipts			
— Not later than one year	253.6	232.4	265.6
— Later than one year and not later than five years	452.1	584.7	692.4
— Later than five years	—	—	—
Total	**705.7**	**817.1**	**958.0**

27.3 Maturity profile of present value of lease rentals

The details of maturity profile of present value of finance lease receipts are given below.

Period	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
	Rupees in million		
Not later than one year	204.5	176.7	202.7
Later than one year and not later than five years	407.4	518.4	599.9
Later than five years	—	—	—
Total	**611.9**	**695.1**	**802.6**

28. Early Retirement Option ("ERO")

The Bank had implemented an Early Retirement Option Scheme 2003 for its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

The ex-gratia payments under ERO, termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million is being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

On account of the above ERO scheme, an amount of Rs. 192.0 million (March 31, 2006: Rs. 384.0 million, September 30, 2005: Rs. 192.0 million) has been charged to revenue being the proportionate amount amortised for the half year ended September 30, 2006.

29. Provisions for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the half year ended September 30, 2006, for the year ended March 31, 2006 and for the half year ended September 30, 2005 amounted to Rs. 2,746.0 million, Rs. 5,535.3 million and Rs. 3,016.1 million respectively.

30. Deferred tax

As on September 30, 2006, the Bank has recorded net deferred tax asset of Rs. 2,294.0 million (March 31, 2006: Rs. 1,642.8 million, September 30, 2005: Rs. 612.5 million), which has been included in other assets. The break-up of deferred tax assets and liabilities into major items is given below.

Particulars	As on September 30, 2006	As on March 31, 2006	As on September 30, 2005
	Rupees in million		
Deferred Tax Asset			
Provision for bad and doubtful debts	7,734.9	6,501.5	6,791.9
Capital loss	814.8	950.0	
Others	885.7	880.7	864.8
	9,435.4	8,332.2	7,656.7
Less: Deferred Tax Liability			
Depreciation on fixed assets	7,091.1	6,697.2	7,052.1
Others	58.8	—	—
	2,285.5	6,697.2	7,052.1
Add: Deferred tax asset pertaining to foreign branches	**8.5**	**7.8**	**7.9**
Total net deferred tax asset / (liability)	**2,294.0**	**1,642.8**	**612.5**

During the year ended March 31, 2006, the Bank has created a deferred tax asset on carry forward capital losses, as based on its firm plans, it is virtually certain that sufficient future taxable capital gains will be available against which the loss can be set off.

31. Subvention Income

The Bank had aligned its accounting policy for subvention income with its accounting policy for direct marketing agency / associate expenses in the year ended March 31, 2006. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. As a result of the change in policy, the impact on profit for the year ended March 31, 2006 is not expected to be significant.

32. Derivatives

ICICI Bank is a major participant in the financial derivatives market. The Bank deals in derivatives for balance sheet management and market making purposes whereby the Bank offers derivative products to its customers, enabling them to hedge their risks.

Dealing in derivatives is carried out by identified groups in the treasury of the Bank based on the purpose of the transaction. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

The market making and the proprietary trading activities in derivatives are governed by the investment policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. The Risk Management Group ("RMG") lays down the methodology for computation and monitoring of risk. The Risk Committee of the Board ("RCB") reviews the Bank's risk management policy in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and compliance issues in relation thereto. The RCB comprises of independent directors and the Managing Director and CEO.

Risk monitoring of the derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using Value at Risk ("VAR") approach and the relevant greeks for options. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the VAR of the derivatives portfolio is reported on a daily basis.

The use of derivatives for hedging purpose is governed by the hedge policy approved by Asset Liability Management Committee ("ALCO"). Subject to prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/ liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is assessed at the time of inception of the hedge and periodically thereafter. During the year ended March 31, 2006, the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts, which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting. Derivatives for market making purpose are marked to market and the resulting gain/ loss is recorded in the profit and loss account. Premia on options are accounted for at the expiry of the options. The Bank makes provisions on the outstanding positions in trading derivatives for possible adverse movements in the underlying. Derivative transactions are covered under International Swap Dealers Association ("ISDA") master agreements with the respective counterparties. The credit exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counterparties.

Sr No.	Particular	As on September 30, 2006 Currency derivatives[1]	Interest rate derivatives[2]
		Rupees in million	
1	Derivatives (Notional principal amount)		
	a) For hedging	582.5	57,213.4
	b) For trading	570,938.3	2,461,625.0
2	Marked to market positions[3]		
	a) Asset (+)	4,089.0	1,531.7
	b) Liability (-)		
3	Credit exposure	30,579.34	27,557.4
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives[4]	(8.6)	(2,223.5)
	b) on trading derivatives	612.0	99.2
5	Maximum and minimum of 100*PV01 observed during the period / year		
	a) on hedging[4]		
	Maximum	—	(1,098.1)
	Minimum	(8.7)	(2,287.0)
	b) on trading		
	Maximum	1,934.0	1,965.5
	Minimum	(172.7)	(274.2)

1. Options & Cross Currency Interest Rate Swaps are included in currency derivatives.
2. Foreign currency Interest Rate Swaps, Forward Rate Agreements and swaptions are included in interest rate derivatives.
3. For trading portfolio.
4. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Sr No.	Particular	As on March 31, 2006 Currency derivatives[1]	Interest rate derivatives[2]
		Rupees in million	
1	Derivatives (Notional principal amount)		
	a) For hedging	—	41,252.2
	b) For trading	428,580.4	2,174,510.4
2	Marked to market positions[3]		
	a) Asset (+)	2,150.3	1,963.2
	b) Liability (-)	—	—
3	Credit exposure	21,458.8	28,170.8
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives[4]	—	(1,230.8)
	b) on trading derivatives	1,087.0	900.9
5	Maximum and minimum of 100*PV01 observed during the period / year		
	a) on hedging[4]		
	Maximum	—	838.4
	Minimum	(74.4)	(1,230.8)
	b) on trading		
	Maximum	1,119.8	1,097.5
	Minimum	632.8	(1,439.1)

1. Options & Cross Currency Interest Rate Swaps are included in currency derivatives.
2. Foreign currency Interest Rate Swaps, Forward Rate Agreements and swaptions are included in interest rate derivatives.

3. For trading portfolio.
4. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Sr No.	Particular	As on September 30, 2005 Currency derivatives[1]	Interest rate derivatives[2]
		Rupees in million	
1	Derivatives (Notional principal amount)		
	a) For hedging	6,142.8	94,781.9
	b) For trading	325,438.9	1,655,335.6
2	Marked to market positions[3]		
	a) Asset (+)	509.6	(790.6)
	b) Liability (-)	—	—
3	Credit exposure	15,627.8	18,445.3
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives[4]	(69.6)	155.4
	b) on trading derivatives	770.7	(493.1)
5	Maximum and minimum of 100*PV01 observed during the period / year		
	a) on hedging[4]		
	Maximum	(53.2)	838.4
	Minimum	(74.4)	134.2
	b) on trading		
	Maximum	939.1	357.6
	Minimum	641.7	(1,439.1)

1. Options and cross currency interest rate swaps are included in currency derivatives.
2. Foreign currency interest rate swaps, forward rate agreements and swaptions are included in interest rate derivatives.
3. For trading portfolio.
4. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

The notional principal amount of credit derivatives outstanding at September 30, 2006 was Rs. 66,149.7 million (March 31, 2006: Rs. 23,514.4 million, September 30, 2005: Rs. 9,720.0 million).

The notional principal amount of forex contracts classified as hedging amounted to Rs. 156,606.6 million (March 31, 2006: Rs. 165,041.4 million, September 30, 2005: Rs. 116,781.0 million). The notional principal amount of forex contracts classified as trading amounted to Rs. 924,712.7 million (March 31, 2006: Rs. 753,273.6 million, September 30, 2005: Rs. 682,296.0 million).

The net overnight open position at September 30, 2006 was Rs. 1,397.9 million (March 31, 2006: Rs. 457.8 million, September 30, 2005: Rs. 176.5 million).

33. Forward rate agreement ("FRA")/ Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts at September 30, 2006 was Rs. Nil for hedging contracts (March 31, 2006: Rs. Nil, September 30, 2005: Rs. 48,150.0 million) and Rs. 2,132,370.1 million for trading contracts (March 31, 2006: Rs. 1,870,025.6 million, September 30, 2005: Rs. 1,347,685.2 million).

The fair value represents the estimated replacement cost of swap contracts at balance sheet date. At September 30, 2006 the fair value of trading rupee interest rate swap contracts was Rs. 1,765.9 million (March 31, 2006: Rs. 922.4 million, September 30, 2005: Rs. 584.5 million).

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfil their contractual obligations. At September 30, 2006, the associated credit risk on trading rupee interest rate swap contracts was Rs. 16,831.2 million (March 31, 2006: Rs. 16,754.4 million, September 30, 2005: Rs. 7,116.4 million).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points change in the interest rates. At September 30, 2006 the market risk on trading rupee interest rate swap contracts amounts to Rs. 528.5 million (March 31, 2006: Rs. 1,192.3 million, September 30, 2005: Rs. 383.4 million).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter-party. At September 30, 2006 there was a credit risk concentration of Rs. 406.0 million (March 31, 2006: Rs. 476.4 million, September 30, 2005: Rs. 222.2 million) under rupee interest rate swap contracts, with ICICI Securities. As per the prevailing market practice, the Bank does not insist on collateral from the counter-parties in these contracts.

The details of the forward rate agreements/interest rate swaps are given below.

	Particulars	**As on September 30, 2006**	**As on March 31, 2006**	**As on September 30, 2005**
			Rupees in million	
i)	The notional principal of rupee swap agreements[1]	2,132,370.1	1,870,025.6	1,395,835.2
ii)	Losses which would be incurred if all counter-parties failed to fulfil their obligations under the agreement	16,831.2	16,754.4	7,116.4
iii)	Collateral required by the Bank upon entering into swaps	—	—	—
iv)	Concentration on of credit risk arising from the rupee swaps	406.0	476.4	222.2
v)	The fair value of rupee trading swap book[2]	1,765.94	922.4	584.5

1. Notional principal of swap agreements includes both hedge and trading portfolio.
2. Fair value represents clean mark-to-market.

34. Exchange Traded Interest Rate Derivatives

The detail of exchange traded interest rate derivatives is given below.

Sr. No.	**Particulars**	**As on September 30, 2006**	**As on March 31, 2006**	**As on September 30, 2005**
			Rupees in million	
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the period/year (instrument-wise)			53,029.0
	a) Euro dollar futures	—	133,577.3	49,948.5
	b) Treasury note futures—10 year	—	13,496.0	2,948.5
	c) Treasury note futures—5 year	—	3,319.4	132.0
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)			
	a) Euro dollar futures	—	—	1,540.3
	b) Treasury note futures—10 year	—	1,516.9	—
	c) Treasury note futures—5 year	—	—	132.0
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	N.A.	N.A.	N.A.
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	N.A.	N.A.	N.A.

Note: All the transactions in exchange traded derivatives have been entered into by foreign branches for trading portfolio.

35. Penalties imposed by RBI

There were no penalties imposed by RBI during the half year ended September 30, 2006. A penalty of Rs. 0.5 million was imposed under Section 47A(1)(b) of the Banking Regulation Act, 1949 by RBI during the year ended March 31, 2006 citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC")/Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

36. Comparative figures

Figures of the previous period / year have been regrouped to conform to the current period presentation.

SIGNATURES TO SCHEDULES 1 TO 18

For and on behalf of Board of Directors

N. Vaghul Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
Kalpana Morparia Joint Managing Director	**Chanda D. Kochhar** Deputy Managing Director	**Nachiket Mor** Deputy Managing Director
Vishakha Mulye Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**Rakesh Jha** General Manager

Place: Mumbai
Date : October 24, 2006

Auditors' Report

To,
The members of ICICI Bank Limited

1. We have audited the attached balance sheet of ICICI Bank Limited (the 'Bank') as at March 31, 2006 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. Incorporated in the said financial statements is the return of the one foreign branch audited by another firm of independent accountants.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
4. We report that:
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;
   c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the foreign branch not visited by us. The audited returns of the foreign branch has been forwarded to us and has been appropriately dealt with;
   d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, insofar as they apply to the Bank;
   f) On the basis of written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in case of the balance sheet, of the state of the affairs of the Bank as at March 31, 2006;
      ii. in case of the profit and loss account, of the profit for the year ended on that date; and
      iii. in case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
a Partner
Membership No.: 048749

April 29, 2006

Balance Sheet as on March 31, 2006

	Schedule	As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
CAPITAL AND LIABILITIES			
Capital	1	12,398,345	10,867,758
Reserves and Surplus	2	213,161,571	118,131,954
Deposits	3	1,650,831,713	998,187,775
Borrowings	4	385,219,136	335,444,960
Other liabilities and provisions	5	252,278,777	213,961,606
TOTAL CAPITAL AND LIABILITIES		**2,513,889,542**	**1,676,594,053**
ASSETS			
Cash and balance with Reserve Bank of India	6	89,343,737	63,449,004
Balances with banks and money at call and short notice	7	81,058,508	65,850,719
Investments	8	715,473,944	504,873,525
Advances	9	1,461,631,089	914,051,517
Fixed assets	10	39,807,115	40,380,361
Other assets	11	126,575,149	87,988,927
TOTAL ASSETS		**2,513,889,542**	**1,676,594,053**
Contingent liabilities	12	**3,950,336,655**	**2,681,537,382**
Bills for collection		**43,384,648**	**23,920,922**
Significant Accounting policies and notes to Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date.

For and on behalf of the Board of Directors

For S. R. Batliboi & Co. Chartered Accountants	**N. Vaghul** Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
per Viren H. Mehta a Partner Membership No.: 048749	**Kalpana Morparia** Joint Managing Director	**Chanda D. Kochhar** Deputy Managing Director	**Nachiket Mor** Deputy Managing Director
	Vishakha Mulye Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**Rakesh Jha** General Manager

Place: Mumbai
Date: April 29, 2006

Profit and loss account for the year ended March 31, 2006

		Schedule	Year ended 31.03.2006	Year ended 31.03.2005
			Rupees in '000	
I.	**INCOME**			
	Interest earned	13	137,844,958	94,098,944
	Other income	14	49,831,394	34,161,439
	TOTAL INCOME		**187,676,352**	**128,260,383**
II.	**EXPENDITURE**			
	Interest expended	15	95,974,483	65,708,876
	Operating expenses	16	44,795,170	32,991,475
	Provisions and contingencies	17	21,505,952	9,508,016
	TOTAL EXPENDITURE		**162,275,605**	**108,208,367**
III.	**PROFIT/LOSS**			
	Net profit for the year		25,400,747	20,052,016
	Profit brought forward		1,882,221	530,876
	TOTAL PROFIT / (LOSS)		**27,282,968**	**20,582,892**
IV.	**APPROPRIATIONS/TRANSFERS**			
	Transfer to Statutory Reserve		6,360,000	5,020,000
	Transfer to Reserve Fund		222	—
	Transfer to Capital Reserve		680,000	200,000
	Transfer to Investment Fluctuation Reserve		5,900,000	—
	Transfer from Investment Fluctuation Reserve		(13,203,350)	—
	Transfer to Special Reserve		2,750,000	250,000
	Transfer to Revenue and other reserves		13,203,350	6,000,000
	Proposed equity share dividend		7,593,326	6,329,609
	Proposed preference share dividend		35	35
	Corporate dividend tax		1,064,969	901,027
	Balance carried over to balance sheet		2,934,416	1,882,221
TOTAL			**27,282,968**	**20,582,892**
Significant accounting policies and notes to accounts		18		
Earning per share (Refer note B. 4)				
	Basic (Rs.)		**32.49**	**27.55**
	Diluted (Rs.)		**32.15**	**27.33**
Face value per share (Rs.)			**10.00**	**10.00**

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co. Chartered Accountants	**N. Vaghul** Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
per Viren H. Mehta a Partner Membership No.: 048749	**Kalpana Morparia** Joint Managing Director	**Chanda D. Kochhar** Deputy Managing Director	**Nachiket Mor** Deputy Managing Director
	Vishakha Mulye Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**Rakesh Jha** General Manager

Place: Mumbai
Date: April 29, 2006

Cash flow statement for the year ended March 31, 2006

PARTICULARS	Year ended 31.03.2006	Year ended 31.03.2005
	Rupees in '000s	
Cash flow from operating activities		
Net profit before taxes	30,966,076	25,272,032
Adjustments for:		
Depreciation and amortisation	9,021,206	9,424,450
Net (appreciation) / depreciation on investments	8,301,403	5,416,494
Provision in respect of non-performing assets (including prudential provision on standard assets)	7,947,244	(1,213,571)
Provision for contingencies & others	226,801	85,984
Dividend from subsidiaries	(3,386,929)	(1,880,786)
(Profit) / Loss on sale of fixed assets	(71,222)	20,822
	53,004,579	37,125,425
Adjustments for:		
(Increase) / decrease in investments	(141,019,247)	(43,133,937)
(Increase) / decrease in advances	(552,112,941)	(287,949,797)
Increase / (decrease) in borrowings	65,476,052	54,169,059
Increase / (decrease) in deposits	652,643,939	317,101,929
(Increase) / decrease in other assets	(36,704,232)	(20,734,975)
Increase / (decrease) in other liabilities and provisions	13,861,469	43,226,853
	2,145,040	62,679,132
Refund / (payment) of direct taxes	(8,620,283)	(8,487,388)
Net cash generated from operating activities (A)	**46,529,336**	**91,317,169**
Cash flow from investing activities		
Investments in subsidiaries and/or joint ventures (including application money)	(8,509,194)	(6,430,433)
Income received on such investments	3,386,929	1,880,786
Purchase of fixed assets	(5,474,001)	(3,795,277)
Proceeds from sale of fixed assets	942,843	262,914
(Purchase) / sale of held to maturity securities	(69,286,381)	(26,370,435)
Net cash generated from investing activities (B)	**(78,939,804)**	**(34,452,445)**
Cash flow from financing activities		
Proceeds from issue of share capital (other than ESOPs) net of issue expenses	79,039,409	31,922,933
Amount received on exercise of stock options	774,424	649,862
Net proceeds / (repayment) of bonds (including subordinated debt)	869,592	(38,616,923)
Dividend and dividend tax paid	(7,174,390)	(6,227,217)
Net cash generated from financing activities (C)	**73,509,035**	**(12,271,345)**
Effect of exchange fluctuation on translation reserve (D)	**3,955**	**—**
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C) + (D)	**41,102,522**	**44,593,379**
Cash and cash equivalents at 1st April	**129,299,723**	**84,706,344**
Cash and cash equivalents at 31st March	**170,402,245**	**129,299,723**

Significant accounting policies and notes to accounts (refer Schedule 18)

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
a Partner
Membership No.: 048749

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

Kalpana Morparia
Joint Managing Director

Chanda D. Kochhar
Deputy Managing Director

Nachiket Mor
Deputy Managing Director

Vishakha Mulye
Chief Financial Officer &
Treasurer

Jyotin Mehta
General Manager &
Company Secretary

Rakesh Jha
General Manager

Place: Mumbai
Date: April 29, 2006

Schedules forming part of the balance sheet

SCHEDULE 1—CAPITAL

	As on 31.03.2006	As on 31.03.2005
	Rupees in '000s	
Authorised Capital		
1,000,000,000 equity shares of Rs. 10 each [March 31, 2005: 1,550,000,000 equity shares of Rs. 10 each]	10,000,000	15,500,000
55,000,000 preference shares of Rs. 100 each [March 31, 2005: Nil]	5,500,000	—
350 preference shares of Rs. 10 million each	3,500,000	3,500,000
Equity share capital		
Issued, subscribed and paid-up capital		
736,716,094 equity shares of Rs. 10 each (March 31, 2005: 616,391,905 equity shares)	7,367,161	6,163,919
Add: Issued 110,967,096 equity shares of Rs. 10 each fully paid up vide prospectus dated December 8, 2005 (March 31, 2005: 115,866,538 equity shares vide prospectus dated April 12, 2004.)[1]	1,109,671	1,158,665
Add: Issued 37,237,460 equity shares of Rs. 10 each fully paid up consequent to issue of 18,618,730 American Depository Shares (ADS) vide prospectus dated December 6, 2005 (includes 2,428,530 ADS issued under green shoe option)	372,374	—
Add: Issued 4,903,251 equity shares of Rs. 10 each fully paid up (March 31, 2005: 4,457,651 equity shares) on exercise of employee stock options	49,033	44,577
Less: Calls unpaid	266	—
Add: Forfeited 67,323 equity shares (March 31, 2005: 67,323 equity shares)	372	372
Share capital suspense [net]		
[Represents application money received for Nil equity shares (March 31, 2005: 22,470 equity shares) of Rs.10 each on exercise of employee stock options]	—	225
TOTAL EQUITY CAPITAL	**8,898,345**	**7,367,758**
Preference Share Capital[2]		
[Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	3,500,000	3,500,000
TOTAL CAPITAL	**12,398,345**	**10,867,758**

1. Includes 14,285,714 equity shares of Rs.10 each fully paid up consequent to green shoe option vide prospectus dated December 8, 2005 (March 31, 2005: 6,992,187 equity shares on exercise of green shoe option vide prospectus dated April 12, 2004).
2. For these preference shares, the notification from Ministry of Finance has currently exempted the Bank from the restriction of Section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 2—RESERVES AND SURPLUS

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	Statutory reserve		
	Opening balance	14,627,307	9,607,307
	Additions during the year	6,360,000	5,020,000
	Deductions during the year	—	—
	Closing balance	20,987,307	14,627,307
II.	Special reserve		
	Opening balance	11,940,000	11,690,000
	Additions during the year	2,750,000	250,000
	Deductions during the year	—	—
	Closing balance	14,690,000	11,940,000
III.	Share premium		
	Opening balance	39,892,352	8,523,304
	Additions during the year[1]	79,157,323	31,897,100
	Deductions during the year[2]	874,078	528,052
	Closing balance	118,175,597	39,892,352
IV.	Investment fluctuation reserve		
	Opening balance	5,160,000	7,303,350
	Additions during the year	8,043,350	—
	Deductions during the year	13,203,350	2,143,350
	Closing balance	—	5,160,000
V.	Capital reserve		
	Opening balance	4,850,000	4,650,000
	Additions during the year	680,000	200,000
	Deductions during the year	—	—
	Closing balance	5,530,000	4,850,000
VI.	Foreign currency translation reserve	3,955	—
VII.	Reserve fund	222	—
VIII.	Revenue and other reserves		
	Opening balance	39,780,074	31,636,724
	Additions during the year	13,203,350	8,143,350
	Deductions during the year	2,143,350	—
	Closing balance	50,840,074	39,780,074
IX.	Balance in profit and loss account	2,934,416	1,882,221
TOTAL RESERVES AND SURPLUS		**213,161,571**	**118,131,954**

1. Includes :

   a) Rs. 48,940.0 million (net of share premium in arrears of Rs. 92.4 million (March 31, 2005: Rs. Nil) consequent to public issue vide prospectus dated December 8, 2005.

   b) Rs. 22,134.6 million consequent to issue of ADS vide prospectus dated December 6, 2005.

   c) Rs. 7,357.1 million on the exercise of the green shoe option vide prospectus dated December 8, 2005.

   d) Rs. 725.6 million (March 31, 2005: Rs. 602.5 million) on exercise of employee stock options.

2. Represents share issue expenses amounting to Rs. 874.1 million, written-off from the share premium account as per the objects of the issue.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 3—DEPOSITS

	As on 31.03.2006	As on 31.03.2005
	Rupees in '000s	
A. I. Demand deposits		
i) From banks	4,223,967	1,976,547
ii) From others	161,510,846	126,392,471
II. Savings bank deposits	209,369,834	113,918,205
III. Term deposits		
i) From banks	107,080,416	64,467,974
ii) From others	1,168,646,650	691,432,578
TOTAL DEPOSITS	**1,650,831,713**	**998,187,775**
B. I. Deposits of branches in India	1,565,128,392	963,791,353
II. Deposits of branches outside India	85,703,321	34,396,422
TOTAL DEPOSITS	**1,650,831,713**	**998,187,775**

SCHEDULE 4—BORROWINGS

	As on 31.03.2006	As on 31.03.2005
	Rupees in '000s	
I. Borrowings in India		
i) Reserve Bank of India	—	—
ii) Other banks	39,370,169	20,779,268
iii) Other institutions and agencies		
a) Government of India	2,813,561	3,612,510
b) Financial institutions	34,372,429	45,185,692
iv) Borrowings in the form of		
a) Deposits taken over from erstwhile ICICI Limited	1,388,454	2,070,517
b) Bonds and debentures (excluding subordinated debt)		
— Debentures and bonds guaranteed by the Government of India	14,815,000	14,815,000
— Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement	16,179,466	30,948,127
Bonds issued under multiple option/safety bonds series		
— Regular interest bonds	8,556,640	9,933,481
— Deep discount bonds	4,257,163	4,039,128
— Bonds with premium warrants	928,721	797,947
— Encash bonds	679,210	1,170,280
— Tax saving bonds	46,187,337	59,167,873
— Pension bonds	61,052	59,351
c) Application money pending allotment	—	6,160,858
II. Borrowings outside India		
i) From multilateral/bilateral credit agencies (guaranteed by the Government of India for the equivalent of Rs.19,542.5 million at March 31, 2006)	23,820,581	24,949,331
ii) From international banks, institutions and consortiums	123,776,548	80,041,728
iii) By way of bonds and notes	68,012,805	31,713,869
TOTAL BORROWINGS	**385,219,136**	**335,444,960**

1. Secured borrowings in I and II above is Rs. Nil.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	Bills payable	33,271,959	27,944,845
II.	Inter-office adjustments (net)	3,496,486	5,614,186
III.	Interest accrued	13,846,487	13,116,497
IV.	Unsecured redeemable debentures/bonds [Subordinated debt included in Tier II Capital]	101,443,755	82,088,996
V.	Others		
	a) Security deposits from clients	7,709,786	12,030,416
	b) Sundry creditors	58,083,459	42,262,101
	c) Received for disbursements under special program	3,007,090	2,932,942
	d) Provision for standard assets	5,638,250	2,248,050
	e) Other liabilities[1]	25,781,505	25,723,573
TOTAL OTHER LIABILITIES AND PROVISIONS		**252,278,777**	**213,961,606**

1. Includes:

   a) Proposed dividend Rs. 7,563.5 million [March 31, 2005: Rs. 6,262.1 million].

   b) Corporate dividend tax payable Rs. 1,060.8 million [March 31, 2005: Rs. 878.3 million].

SCHEDULE 6—CASH AND BALANCES RESERVE WITH BANK OF INDIA

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	Cash in hand (including foreign currency notes)	12,088,189	5,544,811
II.	Balances with Reserve Bank of India in current accounts	77,255,548	57,904,193
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA		**89,343,737**	**63,449,004**

SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	**In India**		
	i) Balances with banks		
	a) in current accounts	4,402,861	5,228,934
	b) in other deposit accounts	6,185,632	7,061,268
	ii) Money at call and short notice		
	a) with banks	6,500,000	16,100,000
	b) with other institutions	3,000	1,900,000
	TOTAL	**17,091,493**	**30,290,202**
II.	**Outside India**		
	i) in current accounts	7,318,874	7,324,711
	ii) in other deposit accounts	48,614,939	16,659,195
	iii) money at call and short notice	8,033,202	11,576,611
	TOTAL	**63,967,015**	**35,560,517**
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		**81,058,508**	**65,850,719**

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 8—INVESTMENTS [net of provisions]

	As on 31.03.2006	As on 31.03.2005
	Rupees in '000s	
I. Investments in India		
i) Government securities	510,744,392	344,516,800
ii) Other approved securities	601	301,154
iii) Shares (includes equity and preference shares)	20,578,522	19,147,771
iv) Debentures and bonds	18,040,317	28,540,305
v) Subsidiaries and/or joint ventures	16,691,698	12,848,124
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.)	104,308,855	84,404,072
TOTAL	**670,364,385**	**489,758,226**
II. Investments outside India		
i) Government securities	1,342,384	377,947
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	11,915,291	7,818,846
iii) Others	31,851,884	6,918,506
TOTAL	**45,109,559**	**15,115,299**
TOTAL INVESTMENTS	**715,473,944**	**504,873,525**

SCHEDULE 9—ADVANCES [net of provisions]

	As on 31.03.2006	As on 31.03.2005
	Rupees in '000s	
A. i) Bills purchased and discounted	63,065,998	43,984,209
ii) Cash credits, overdrafts and loans repayable on demand	249,328,298	123,344,410
iii) Term loans	1,117,904,639	722,588,931
iv) Securitisation, finance lease and hire purchase receivables[1]	31,332,154	24,133,967
TOTAL	**1,461,631,089**	**914,051,517**
B. i) Secured by tangible assets [includes advances against book debt][2]	1,199,732,405	778,517,712
ii) Covered by Bank/Government Guarantees	13,508,731	10,104,623
iii) Unsecured	248,389,953	125,429,182
TOTAL	**1,461,631,089**	**914,051,517**
C. I. Advances in India		
i) Priority Sector	426,756,181	200,892,904
ii) Public Sector	11,572,043	11,154,310
iii) Banks	48,863	4,517,162
iv) Others	898,014,748	635,303,209
TOTAL	**1,336,391,835**	**851,867,585**
II. Advances outside India		
i) Due from banks	18,559,863	10,375,851
ii) Due from others		
a) Bills purchased and discounted	43,769,271	24,736,630
b) Syndicated loans	29,704,361	11,925,394
c) Others	33,205,759	15,146,057
TOTAL	**125,239,254**	**62,183,932**
TOTAL ADVANCES	**1,461,631,089**	**914,051,517**

1. Includes receivables under lease amounting to Rs. 695.1 million (March 31, 2005: Rs. 913.6 million).
2. Includes a loan of Rs. 16,028.7 million (March 31, 2005: Rs. Nil) for which security is being created.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 10—FIXED ASSETS

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	**Premises**		
	At cost as on March 31 of preceding year	18,829,741	16,668,982
	Additions during the year	1,454,189	2,254,384
	Deductions during the year	(84,491)	(93,625)
	Depreciation to date	(2,029,015)	(1,516,102)
	Net block	18,170,424	17,313,639
II.	**Other fixed assets (including furniture and fixtures)**		
	At cost as on March 31 of preceding year	16,303,939	13,587,781
	Additions during the year	4,361,180	2,826,608
	Deductions during the year	(133,227)	(110,450)
	Depreciation to date	(10,633,404)	(7,765,842)
	Net block	9,898,488	8,538,097
III.	**Assets given on lease**		
	At cost as on March 31 of preceding year	20,122,827	20,645,237
	Additions during the year	544	2,838
	Deductions during the year	(1,169,048)	(525,248)
	Depreciation to date, accumulated lease adjustment and provisions	(7,216,120)	(5,594,202)
	Net block	11,738,203	14,528,625
TOTAL FIXED ASSETS		**39,807,115**	**40,380,361**

SCHEDULE 11—OTHER ASSETS

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	Inter-office adjustments (net)	—	—
II.	Interest accrued	21,543,081	13,124,389
III.	Tax paid in advance/tax deducted at source (net)	28,220,490	26,643,957
IV.	Stationery and stamps	1,663	3,609
V.	Non-banking assets acquired in satisfaction of claims[1]	3,627,879	3,677,234
VI.	Others		
	a) Advance for capital assets	1,479,423	963,017
	b) Outstanding fees and other Income	3,676,895	2,792,942
	c) Exchange fluctuation suspense with Government of India	24,966	244,749
	d) Swap suspense	71,587	794,710
	e) Deposits	25,766,974	15,003,770
	f) Deferred tax asset (net)	1,642,837	148,666
	g) Early retirement option expenses not written off	885,979	1,269,979
	h) Others	39,633,375	23,321,905
TOTAL OTHER ASSETS		**126,575,149**	**87,988,927**

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Banks' name.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 12—CONTINGENT LIABILITIES

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	Claims against the Bank not acknowledged as debts	29,777,239	27,464,523
II.	Liability for partly paid investments	168,472	168,396
III.	Liability on account of outstanding forward exchange contracts	918,314,985	714,848,723
IV.	Guarantees given on behalf of constituents		
	a) In India	170,909,502	140,444,828
	b) Outside India	20,118,115	15,968,174
V.	Acceptances, endorsements and other obligations	106,867,498	74,115,736
VI.	Currency swaps	172,422,863	112,957,025
VII.	Interest rate swaps, currency options and interest rate futures	2,471,920,061	1,519,218,305
VIII.	Other items for which the Bank is contingently liable	59,837,920	76,351,672
TOTAL CONTINGENT LIABILITIES		**3,950,336,655**	**2,681,537,382**

Schedules forming part of the profit and loss account

SCHEDULE 13—INTEREST EARNED

		Year ended 31.03.2006	Year ended 31.03.2005
		Rupees in '000s	
I.	Interest/discount on advances/bills	96,849,551	67,528,301
II.	Income on investments	36,927,577	22,294,366
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	3,354,647	2,320,089
IV.	Others[1]	713,183	1,956,188
TOTAL INTEREST EARNED		**137,844,958**	**94,098,944**

1. Includes interest on income tax refunds of Rs. 399.8 million (March 31, 2005: Rs. 247.3 million).

SCHEDULE 14—OTHER INCOME

		Year ended 31.03.2006	Year ended 31.03.2005
		Rupees in '000s	
I.	Commission, exchange and brokerage	30,019,493	19,210,001
II.	Profit/(loss) on sale of investments (net)	7,497,522	5,461,352
III.	Profit/(loss) on revaluation of investments (net)	(534,825)	(907)
IV.	Profit/(loss) on sale of land, buildings and other assets (net)[1]	71,222	(20,822)
V.	Profit/(loss) on foreign exchange transactions (net)	4,730,846	3,146,394
VI.	Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/ in India	3,386,929	1,880,786
VII.	Miscellaneous income (including lease income)	4,660,207	4,484,635
TOTAL OTHER INCOME		**49,831,394**	**34,161,439**

1. Includes profit/(loss) on sale of assets given on lease.

SCHEDULE 15—INTEREST EXPENDED

		Year ended 31.03.2006	Year ended 31.03.2005
		Rupees in '000s	
I.	Interest on deposits	58,366,832	32,520,688
II.	Interest on Reserve Bank of India/inter-bank borrowings[1]	9,254,169	2,527,689
III.	Others (including interest on borrowings of erstwhile ICICI Limited)	28,353,482	30,660,499
TOTAL INTEREST EXPENDED		**95,974,483**	**65,708,876**

1. Includes interest paid on inter-bank deposits.

Schedules forming part of the profit and loss account—(Continued)

SCHEDULE 16—OPERATING EXPENSES

		Year ended 31.03.2006	Year ended 31.03.2005
		Rupees in '000s	
I.	Payments to and provisions for employees	10,822,935	7,374,121
II.	Rent, taxes and lighting	2,348,028	1,853,347
III.	Printing and stationery	1,110,432	876,632
IV.	Advertisement and publicity	1,855,514	1,162,555
V.	Depreciation on Bank's property (including non-banking assets)	3,471,658	2,933,725
VI.	Depreciation (including lease equalisation) on leased assets	2,766,260	2,969,907
VII.	Directors' fees, allowances and expenses	3,237	3,872
VIII.	Auditors' fees and expenses	18,456	17,632
IX.	Law charges	112,356	97,141
X.	Postages, telegrams, telephones, etc.	2,157,585	1,736,270
XI.	Repairs and maintenance	2,580,722	2,159,454
XII.	Insurance	1,080,254	597,230
XIII.	Direct marketing agency expenses	6,554,240	4,854,521
XIV.	Other expenditure	9,913,493	6,355,068
TOTAL OPERATING EXPENSES		**44,795,170**	**32,991,475**

SCHEDULE 17—PROVISIONS AND CONTINGENCIES

		As on 31.03.2006	As on 31.03.2005
		Rupees in '000s	
I.	Income Tax		
	— Current period tax	6,618,650	1,764,935
	— Deferred tax adjustment	(1,346,853)	3,425,081
	— Fringe benefit tax	263,532	—
II.	Wealth tax	30,000	30,000
III.	Provision for investments (including credit substitutes) (net)	7,766,578	5,415,587
IV.	Provision for advances (net)[1]	7,947,244	(1,213,571)
V.	Others	226,801	85,984
TOTAL PROVISIONS AND CONTINGENCIES		**21,505,952**	**9,508,016**

1. Includes provision on standard assets, non-performing advances, non-performing leased assets and other receivables.

SCHEDULE 18—Significant accounting policies and notes to accounts

Overview

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Basis of preparation

The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles ("GAAP") in India, the guidelines issued by Reserve Bank of India ("RBI") from time to time and practices generally prevalent within the banking industry in India. The Bank follows the accrual method of accounting, except where otherwise stated, and the historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

Equity issue

During the year ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below.

Details	No. of equity shares	Amount of share premium	Aggregate proceeds
	Rupees in million except per share data		
Fully paid equity shares of Rs. 10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	35,588.3
Fully paid equity shares of Rs. 10 each at a premium of Rs. 488.75 per share[1]	28,894,060	14,122.0	14,410.9
18,618,730 American Depository Share ("ADS") at a price of US$ 26.75 per share[2]	37,237,460	22,134.6	22,506.9
Fully paid equity shares of Rs. 10 each issued by exercise of the green shoe option	14,285,714	7,357.1	7,500.0
Total	**148,204,556**	**78,524.2**	**80,006.1**

1. Unpaid calls of Rs. 0.3 million (Unpaid share premium Rs. 92.4 million).
2. Includes green shoe option of 2,428,530 ADSs.

The Bank had also made an issue of 115,920,758 equity shares (including 6,992,187 equity shares issued by exercise of green shoe option) of Rs.10 each at a premium of Rs. 270 per share aggregating Rs. 32,457.8 million under the prospectus dated April 12, 2004. The expenses of the issue were charged to the share premium account.

ICICI Bank had sponsored an American Depositary Shares (ADSs) Offering which opened for participation on March 7, 2005 and closed on March 11, 2005. In terms of the Offering, 20,685,750 ADSs representing 41,371,500 equity shares had been sold at a price of US$ 21.1 per ADS. The gross proceeds from the ADS Offering were approximately US$ 436.7 million (Rs.19,099.6 million). Pursuant to this offering existing outstanding equity shares were exchanged for newly issued ADSs and accordingly the offering did not result in an increase in share capital of the Bank.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets ("NPAs") where it is recognised, upon realisation, as per the prudential norms of RBI.

b) Commissions paid to direct marketing agents ("DMAs") for auto loans are recorded upfront in the profit and loss account net of subvention income received from them.

c) Income from hire purchase operations is accrued by applying the implicit interest rate on outstanding balances.

d) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.

e) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

f) Dividend is accounted on an accrual basis when the right to receive the dividend is established.

g) All other fee income is recognised upfront on its becoming due.

h) Net income arising from sell-down of loan assets is recognised upfront in interest income. With effect from February 1, 2006, net income arising from securitisation of loan assets is amortised over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold.

i) Guarantee commission is recognised over the period of the guarantee.

2. Investments

Investments are valued in accordance with the extant RBI guidelines on investment classification and valuation as given below.

a) All investments are categorised into 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. Reclassifications, if any, in any category are accounted for as per RBI guidelines. Under each category, the investments are further classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. A provision is made for other than temporary diminution.

c) 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. The market/fair value for the purpose of periodical valuation of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation, if any, in each basket, being unrealised, is ignored, while net depreciation is provided for.

d) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account.

e) Broken period interest on debt instruments is treated as a revenue item.

f) Investments in subsidiaries/joint ventures are categorised as 'Held to Maturity' in accordance with RBI guidelines.

g) Profit on sale of investments in the 'Held to Maturity' category is credited to the profit and loss account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

h) At the end of each reporting period, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by RBI from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value ("NAV"), obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting year end.

i) The Bank follows trade date method for accounting of its investments.

3. Provisions/Write-offs on loans and other credit facilities

a) All credit exposures are classified as per RBI guidelines, into performing and non-performing assets ("NPAs"). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. Provisions are made for sub-standard and doubtful assets at rates for prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. The Bank also makes additional floating provision against non-performing retail loans and additional provision against specific corporate NPAs.

b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the present value of the interest sacrifice be provided at the time of restructuring.

c) In the case of loan accounts classified as NPAs (other than those subjected to restructuring), the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

d) Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

e) In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision covers the requirements of the RBI guidelines.

f) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4. Transfer and servicing of financial assets

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses are recorded only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans is measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitisation.

During the year RBI has issued guidelines on accounting for securitisation of standard assets. In accordance with these guidelines, with effect from February 1, 2006, the Bank accounts for any loss arising on sale immediately at the time of sale and the profit/premium arising on account of sale is amortised over the life of the securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold.

5. Fixed assets and depreciation

a) Premises and other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in schedule XIV of the Companies Act, 1956, are given below.

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc.	10.00%
Computers	33.33%
EDC Terminals	16.67%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including Software and system development expenses)	25.00%

b) Depreciation on leased assets is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV to the Companies Act, 1956.

c) Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.

d) Items costing less than Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

6. Foreign currency transactions

a) Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction, income and expenditure items of integral foreign operations (representative offices) are translated at weekly average closing rate, and income and expenditure of non-integral foreign operations (foreign branches and offshore banking units) are translated at quarterly average closing rate.

b) Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

c) Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profits/losses from exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations.

d) Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

e) Contingent liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the balance sheet date.

7. Accounting for derivative contracts

The Bank enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of underlying assets and accounted pursuant to the principles of hedge accounting.

Foreign currency and rupee derivatives, which are entered for trading purposes, are marked to market and the resulting gain/loss, (net of provisions, if any) is recorded in the profit and loss account.

8. Employee Stock Option Scheme ("ESOS")

The Bank has formulated an Employees Stock Option Scheme. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method as prescribed by the guidance note on "Accounting for Stock Options" issued by the Institute of Chartered Accountants of India ("ICAI") to account for its stock-based employees compensation plans. Compensation cost measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. The grant price of the Bank's stock option is the last closing price on the stock exchange on the day preceding the date of grant of stock options and accordingly there is no compensation cost under the intrinsic value method.

9. Staff retirement benefits

ICICI Bank is required to pay gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI, employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

The gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

The gratuity fund for employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover.

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment.

Till March 31, 2005, the superannuation fund was administered solely by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Insurance Company.

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

10. Income taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the Income-tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

11. Impairment of assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

12. Accounting for contingencies

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements.

13. Earnings Per Share ("EPS")

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

B. NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account RBI guidelines in this regard.

1. Capital adequacy ratio

The capital to risk weighted assets ratio (CRAR) as assessed by the Bank on the basis of the financial statements and guidelines issued by RBI is given in the table below.

	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Tier I capital	191,815.3	102,463.2
Tier II capital	86,610.9	56,566.1
Total capital	**278,426.2**	**159,029.3**
Total risk weighted assets	**2,085,935.9**	**1,350,168.1**
CRAR (%)	13.35%	11.78%
CRAR—Tier I capital (%)	9.20%	7.59%
CRAR—Tier II capital (%)	4.15%	4.19%
Amount of subordinated debt raised as Tier II capital during the year	39,730.0	4,500.0

2. Business/information ratios

The business/information ratios for the year ended March 31, 2006, and March 31, 2005 are given in the table below.

	Year ended March 31, 2006	Year ended March 31, 2005
(i) Interest income to working funds[1]	7.03%	6.94%
(ii) Non-interest income to working funds[1]	2.54%	2.52%
(iii) Operating profit to working funds[1]	2.39%	2.18%
(iv) Return on assets[2]	1.30%	1.48%
(v) Profit per employee (Rs. in million)	1.0	1.1

1. For the purpose of computing the ratios, working funds represent the average of total assets as reported to RBI under Section 27 of the Banking Regulation Act, 1949.
2. For the purpose of computing the ratio, assets represent average total assets as reported to RBI in Form X under Section 27 of the banking Regulation Act, 1949.

	As on March 31, 2006	As on March 31, 2005
	Rupees in millions	
(vi) Business per employee (average deposits plus average advances)	90.5	88.0

3. Information about business and geographical segments

- **Consumer and Commercial Banking** comprising the retail and corporate banking operations of the Bank.
- **Investment Banking** comprising the treasury activities of the Bank.

Inter-segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as on March 31, 2006 and March 31, 2005 and segmental profit & loss account for the year ended March 31, 2006 and for the year ended March 31, 2005 have been prepared.

Particulars	Consumer and commercial banking		Investment banking		Total	
	For the year ended 31.03.2006	For the year ended 31.03.2005	For the year ended 31.03.2006	For the year ended 31.03.2005	For the year ended 31.03.2006	For the year ended 31.03.2005
	Rupees in million					
1. Revenue	148,868.9	106,436.9	49,725.0	30,926.2	198,593.9	137,363.1
2. Less: Inter-segment revenue					(10,917.6)	(9,102.7)
3. Total revenue (1)–(2)					187,676.3	128,260.4
4. Operating profit (i.e. Profit before unallocated expenses, and tax)	33,870.5	19,760.7	13,420.2	10,183.3	47,290.7	29,944.0
5. Unallocated expenses					384.0	384.0
6. Provisions (net)	7,320.2	814.1	8,620.5	3,473.9	15,940.7	4,288.0
7. Profit before tax	26,550.3	18,946.6	4,799.7	6,709.4	30,966.0	25,272.0
8. Income tax expenses (net of deferred tax credit)					5,565.3	5,220.0
9. Net profit(7)-(8)					25,400.7	20,052.0
10. Segment assets	1,643,838.9	1,051,486.3	839,301.3	597,045.1	2,483,140.2	1,648,531.4
11. Unallocated assets					30,749.3	28,062.7
12. Total assets (10)+(11)					2,513,889.5	1,676,594.1
13. Segment liabilities	1,923,206.7	1,291,932.4	590,682.8	384,661.7	2,513,889.5	1,676,594.1
14. Unallocated liabilities					—	—
15. Total liabilities (13)+(14)					2,513,889.5	1,676,594.1

Geographical segments

The Bank reports its operations under the following geographical segments.

- **Domestic Operations** comprises branches having operations in India.
- **Foreign Operations** comprises branches having operations outside India and offshore banking unit having operations in India.

Based on above segments the assets and revenue of the Bank for the year ended March 31, 2006 have been prepared.

Sr. No.	Particulars	Domestic Operations	Foreign Operations	Total
			Rs. in million	
1.	Revenue	178,131.7	9,544.7	187,676.4
2.	Assets	2,295,744.9	218,144.6	2,513,889.5

Hitherto the business operations of the Bank were largely concentrated in India. The assets and income from foreign operations were not significant to the overall operations of the Bank and have accordingly not been disclosed for earlier comparative year.

4. Earnings Per Share

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20, "Earnings per Share". Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of earnings per share is given below.

	Year ended March 31, 2006	Year ended March 31, 2005
	(Rs. in million except per share data)	
Basic		
Weighted average no. of equity shares outstanding	781,693,773	727,728,042
Net profit	25,400.7	20,052.0
Basic earnings per share (Rs.)	32.49	27.55
Diluted		
Weighted average no. of equity shares outstanding	789,963,635	733,720,485
Net profit	25,400.7	20,052.0
Diluted earnings per share (Rs.)	32.15	27.33
Nominal value per share (Rs.)	10.00	10.00

The dilutive impact is due to options granted to employees by the Bank.

5. Maturity pattern

- In compiling the information of maturity pattern (refer 5. (a) and (b) below), certain estimates and assumptions have been made by the management.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

a) The maturity pattern of assets and liabilities of the Bank as on March 31, 2006 is given below.

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total foreign currency assets	Total foreign currency liabilities
			Rupees in million			
1 to 14 days	75,450.2	103,983.4	149,071.4	31,237.0	41,679.5	37,847.1
15 to 28 days	8,865.2	44,993.6	69,193.3	10,049.4	11,454.3	18,646.8
29 days to 3 months	75,231.3	81,976.1	255,473.5	53,804.3	37,365.6	59,270.5
3 to 6 months	89,859.5	64,510.5	231,693.4	46,661.4	32,628.1	28,415.9
6 months to 1 year	145,066.0	93,267.8	388,402.8	53,160.2	29,919.0	57,175.5
1 to 3 years	591,575.5	142,607.5	520,604.7	72,646.8	37,734.5	43,054.4
3 to 5 years	165,878.4	41,030.3	14,002.1	94,981.8	41,477.4	67,547.5
Above 5 years	309,705.0	143,104.7	22,390.5	22,678.2	49,596.3	12,765.4
Total	**1,461,631.1**	**715,473.9**	**1,650,831.7**	**385,219.1**	**281,854.7**	**324,723.1**

1. Includes foreign currency balances.

b) The maturity pattern of assets and liabilities of the Bank as on March 31, 2005 is given below.

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total foreign currency assets	Total foreign currency liabilities
			Rupees in million			
1 to 14 days	60,518.3	76,283.4	54,262.2	4,008.0	22,857.4	9,193.8
15 to 28 days	8,069.1	20,403.1	32,683.8	12,311.5	6,607.9	12,023.6
29 days to 3 months	65,709.7	48,751.0	132,970.0	31,264.5	31,162.4	31,853.9
3 to 6 months	50,320.5	47,302.7	159,242.9	32,491.4	17,851.7	18,568.2
6 months to 1 year	84,088.2	60,431.9	195,407.5	56,986.8	13,830.7	29,450.2
1 to 3 years	294,282.1	113,986.8	398,826.7	111,143.4	30,191.2	30,242.4
3 to 5 years	94,524.5	27,618.4	15,087.5	53,323.6	19,326.3	40,075.9
Above 5 years	256,539.1	110,096.2	9,707.2	33,915.8	28,915.1	16,229.0
Total	**914,051.5**	**504,873.5**	**998,187.8**	**335,445.0**	**170,742.7**	**187,637.0**

1. Includes foreign currency balances.

6. Related party transactions

The Bank has transactions with its related parties comprising of subsidiaries, associates joint ventures and key management personnel. The following represents the significant transactions between the Bank and its related parties.

Insurance services

During the year ended March 31, 2006, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 829.6 million (March 31, 2005: Rs. 315.4 million). During the year ended March 31, 2006 the Bank received claims from insurance joint ventures amounting to Rs. 16.8 million (March 31, 2005: Rs. 8.4 million).

Fees and commission

During the year ended March 31, 2006, the Bank received fees from its subsidiaries and joint ventures amounting to Rs. 2,280.5 million (March 31, 2005: Rs. 279.8 million) and commission of Rs. 9.9 million (March 31, 2005: Rs. 5.3 million) on account of guarantees and letters of credit issued for subsidiaries.

Lease of premises and facilities

During the year ended March 31, 2006, the Bank charged an aggregate amount of Rs. 443.7 million (March 31, 2005: Rs. 432.8 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

Sale/Purchase of housing loan portfolio

During the year ended March 31, 2006, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 37,711.0 million (March 31, 2005: Rs. 3,059.7 million). During the year ended March 31, 2006, the Bank purchased housing portfolio from its subsidiary amounting to Rs. 18,307.7 million (March 31, 2005: Rs. Nil).

Secondment of employees

During the year ended March 31, 2006, the Bank received Rs. 3.0 million (March 31, 2005: Rs. 8.4 million) from subsidiaries and joint ventures for secondment of employees.

Purchase of investments

During the year ended March 31, 2006, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 15,255.5 million (March 31, 2005: Rs. 32,440.1 million) and from its associates amounting to Rs. Nil (March 31, 2005: Rs. 820.0 million).

Sale of investments

During the year ended March 31, 2006, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 6,757.7 million (March 31, 2005: Rs. 22,668.5 million) and to its associates amounting to Rs. 1,545.0 million (March 31, 2005: Rs. Nil). On the sales made to subsidiaries and joint ventures, the Bank accounted for a gain of Rs. 16.7 million (March 31, 2005: Loss of Rs. 12.4 million) and on the sale made to associates, the Bank accounted for a gain of Rs. 10.1 million (March 31, 2005: Rs. Nil).

Redemption/Buyback and Conversion of investments

During the year ended March 31, 2006, certain investments in subsidiaries and joint ventures in preference shares were converted to equity shares amounting to Rs. Nil (March 31, 2005: Rs. 250.0 million). Consideration of Rs. 1,078.9 million (March 31, 2005: Rs. 106.9 million) was received on account of buyback/capital reduction of equity shares by subsidiaries and a gain amounting to Rs. 620.6 million (March 31, 2005: Rs. 67.4 million) was accounted in the books. Units in associates amounting to Rs. 1,162.3 million (March 31, 2005: Rs. 2,362.8 million) were redeemed during the year and a gain of Rs. Nil (March 31, 2005: Rs. 19.8 million) was accounted on redemption.

Reimbursement of expenses

During the year ended March 31, 2006, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 3,397.8 million (March 31, 2005: Rs. 2,596.0 million).

Brokerage paid

During the year ended March 31, 2006, the Bank paid brokerage to its subsidiary amounting to Rs. 13.6 million (March 31, 2005: Rs. 9.1 million).

Custodial charges received

During the year ended March 31, 2006, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 15.8 million (March 31, 2005: Rs. 5.7 million) and associates amounting to Rs. 5.4 million (March 31, 2005: Rs. 2.2 million).

Interest paid

During the year ended March 31, 2006, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 384.2 million (March 31, 2005: Rs. 255.7 million) and to its associates amounting to Rs. Nil (March 31, 2005: Rs. 1.1 million).

Interest received

During the year ended March 31, 2006, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 613.6 million (March 31, 2005: Rs. 376.7 million) and from its key management personnel[1] Rs. 0.5 million (March 31, 2005: Rs. 0.3 million).

Other Income

During the year ended March 31, 2006, the Bank has accounted gain/loss on derivative transactions entered into with subsidiaries and joint ventures amounting to Rs. 245.3 million (March 31, 2005: Gain of Rs. 462.3 million).

Dividend received

During the year ended March 31, 2006, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 1,635.6 million (March 31, 2005: Rs. 714.5 million) and from its associates amounting to Rs. 1,808.2 million (March 31, 2005: Rs. 1,221.8 million).

Dividend paid

During the year ended March 31, 2006, the Bank paid dividend to its key management personnel[1] amounting to Rs. 3.2 million (March 31, 2005: Rs. 1.6 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2006 was Rs. 75.9 million (March 31, 2005: Rs. 60.5 million).

Letters of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK Limited and ICICI Bank Canada Limited. The details of the same are given in the table below.

On behalf of	To	Purpose
ICICI Bank UK Limited	Financial Services Authority, UK (“FSA”)	To financially support ICICI Bank UK Limited to ensure that it meets all of its financial obligations as they fall due.
ICICI Bank Canada	Office of the Superintendent of Financial Institutions, Canada (“OSFI”)	To infuse additional capital should ICICI Bank Canada’s capital fall below the minimum requirement and provide ICICI Bank Canada ongoing financial, managerial and operational support.
ICICI Bank Canada	Canada Deposit Insurance Corporation (“CDIC”)	To comply with the Bank Act and the CDIC regulations or by-laws there under and to indemnify CDIC against all losses, damages, reasonable costs and expenses arising from failure of ICICI Bank Canada in performing the same.

Related party balances

The balances payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel included in the balance sheet as on March 31, 2006 are given below.

Items	Subsidiaries / Joint ventures	Associates	Key management personnel[1]	Total
		Rupees in million		
Deposits with ICICI Bank	8,734.8	274.9	25.0	9,034.7
Deposits of ICICI Bank[2]	11,339.7	—	—	11,339.7
Call/ Term money borrowed	—	—	—	—
Advances	1,631.9	—	15.4	1,647.3
Investments of ICICI Bank	29,263.2	14,228.5	—	43,491.7
Investments of related parties in ICICI Bank	447.5	—	4.3	451.8
Receivables	666.0	2.0	—	668.0
Payables	779.2	—	—	779.2
Repo	—	—	—	—
Reverse repo	—	—	—	—
Guarantees[3]	3,634.0	—	—	3,634.0
Letters of comfort[4]	30,059.6	—	—	30,059.6
Swaps/forward contracts	148,404.1	—	—	148,404.1
Participation certificate	2,320.0	—	—	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel during the year ended March 31, 2006 is given below.

Items	Subsidiaries / Joint ventures	Associates	Key management personnel[1]	Total
		Rupees in million		
Deposits with ICICI Bank	11,331.7	2,160.2	46.1	13,538.0
Deposits of ICICI Bank[2]	12,223.9	—	—	12,223.9
Call/ Term money borrowed	7,490.3	—	—	7,490.3
Advances	2,245.8	—	21.2	2,267.0
Investments of ICICI Bank	29,960.3	14,726.8	—	44,687.1
Investments of related parties in ICICI Bank	547.1	—	4.4	551.5
Receivables	798.4	4.1	—	802.5
Payables	3,060.0	0.5	—	3,060.5
Repo	400.3	—	—	400.3
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	5,196.3	—	—	5,196.3
Letters of comfort[4]	30,815.7	—	—	30,815.7
Swaps/forward contracts	207,739.7	—	—	207,739.7
Participation certificate	2,320.0	—	—	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The balances payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel included in the balance sheet as on March 31, 2005 are given below.

Items	Subsidiaries / Joint ventures	Associates	Key management personnel[1]	Total
		Rupees in million		
Deposits with ICICI Bank	6,593.6	0.3	37.1	6,631.0
Deposits of ICICI Bank[2]	9,798.9	—	—	9,798.9
Call/ Term money borrowed	459.2	—	—	459.2
Advances	322.9	—	19.1	342.0
Investments of ICICI Bank	20,734.1	14,470.5	—	35,204.6
Investments of related parties in ICICI Bank	1.6	—	2.3	3.9
Receivables	202.4	—	—	202.4
Payables	885.3	—	—	885.3
Repo	—	—	—	—
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	4,928.3	—	—	4,928.3
Letters of comfort[4]	21,318.3	—	—	21,318.3
Swaps/forward contracts	118,137.1	—	—	118,137.1
Participation certificate	896.6	—	—	896.6

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel during the year ended March 31, 2005 is given below.

Items	Subsidiaries / Joint ventures	Associates	Key management personnel[1]	Total
		Rupees in million		
Deposits with ICICI Bank	19,352.2	2,405.5	196.1	21,953.8
Deposits of ICICI Bank[2]	9,798.9	—	—	9,798.9
Call/ Term money borrowed	3,500.0	—	—	3,500.0
Advances	2,435.6	—	19.1	2,454.7
Investments of ICICI Bank	40,204.6	33,399.0	—	73,603.6
Investments of related parties in ICICI Bank	16.6	—	2.3	18.9
Receivables	202.4	—	—	202.4
Payables	1,762.1	—	—	1,762.1
Repo	128.8	—	—	128.8
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	4,928.3	—	—	4,928.3
Letters of comfort[4]	21,318.3	—	—	21,318.3
Swaps/forward contracts	230,905.2	—	—	230,905.2
Participation certificate	896.6	—	—	896.6

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company

Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Distribution Finance Private Limited (ICICI Distribution Finance Private Limited has merged with ICICI Home Finance Company Limited effective August 11, 2005), ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Bank Eurasia Limited Liability Company and TSI Ventures (India) Private Limited.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust and TCW/ICICI Investment Partners L.L.C.

7. Securitisation

The Bank sells loans through securitisation and direct assignment. The information on securitisation activity of the Bank as an originator for the year ended March 31, 2006 and March 31, 2005 is given in the table below.

	Year ended March 31, 2006	Year ended March 31, 2005
	Rupees in million	
Total number of loan assets securitised	909,130	942,567
Total book value of loan assets securitised	94,856.2	160,071.2
Sale consideration received for the securitised assets	102,856.6	163,412.2
Net gain on account of securitisation	4,032.4	3,976.1

The information on securitisation activity of the Bank as an originator as on March 31, 2006 and March 31, 2005 is given in the table below.

	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Outstanding credit enhancement	16,369.2	7,234.3
Outstanding liquidity facility	2,640.4	—
Outstanding servicing liability	695.6	260.7
Outstanding subordinate contributions	8,369.8	17,712.7

8. Employee Stock Option Scheme

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options.

In terms of the Scheme, 17,362,584 options (March 31, 2005: 18,215,335 options) granted to eligible employees were outstanding at March 31, 2006.

A summary of the status of the Bank's stock option plan is given below.

	Stock Options Outstanding	
	Year ended March 31, 2006	Year ended March 31, 2005
Outstanding at the beginning of the year	18,215,335	15,964,982
Add: Granted during the year	4,981,780	7,554,500
Less: Forfeited/lapsed during the year	931,280	846,496
Exercised during the year	4,903,251	4,457,651[1]
Outstanding at the end of the year	17,362,584	18,215,335

1. Excludes options exercised but not allotted.

9. Preference shares

Certain government securities amounting to Rs. 2,001.1 million (March 31, 2005: Rs. 1,952.3 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018, as per the original issue terms.

10. Transfer to Investment Fluctuation Reserve ("IFR")

An amount of Rs. 2,143.4 million being the excess balance in Investment Fluctuation Reserve (IFR) account over the regulatory requirement was transferred to general reserve account during the year ended March 31, 2005. RBI has subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the general reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create Investment Fluctuation Reserve aggregating to 5% of their investments in fixed income securities (in AFS and Trading Book) over a five-year period starting from March 31, 2002. Accordingly a further amount of Rs. 5,900.0 million was transferred to IFR during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI has vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit & Loss Account.

Pursuant to the above, the entire IFR account balance of Rs. 13,203.4 million has been transferred from IFR to Revenue and other Reserves.

11. Subordinated debt

a) During the year ended March 31, 2006, the Bank raised subordinated debt amounting to Rs. 39,730.0 million through private placement of bonds. The details of these bonds are given below.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount Rupees in million
Tranche 3 Option I	March 31, 2006	8.83% Annual	10 years and 15 days	2,500.0
Tranche 2 Option I	March 25, 2006	8.80% Annual	9 years 11 months and 19 days	20,000.0
Tranche 1 Option I	March 14, 2006	8.55% Annual	10 years and 1 month	2,500.0
Total				25,000.0

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option I	February 14, 2006	8.15% Annual	10 years	1,190.0
Option II	February 14, 2006	8.25% Annual	15 years	370.0
Total				1,560.0

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option II	December 30, 2005	7.60% (semi-annually)	10 years	1,010.0
Option III	December 30, 2005	7.75% (semi-annually)	12 years	1,020.0
Option IV	December 30, 2005	7.80% (semi-annually)	15 years	890.0
Total				2,920.0

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option I	September 28, 2005	1 Yr INBMK[1] + 0.50% (To be reset semi-annually)	5 years and 7 months	2,250.0
Option II	September 28, 2005	7.50	10 years	2,750.0
Total				5,000.0

1. INBMK—Indian Benchmark.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option I	June 29, 2005	1 Yr INBMK[1] + 0.50% (To be reset semi-annually)	5 years and 10 months	1,100.0
Option II	June 29, 2005	7.25	5 years and 10 months	770.0
Option III	June 29, 2005	7.45	10 years	3,380.0
Total				5,250.0

1. INBMK—Indian Benchmark.

b) During the year ended March 31, 2005, the Bank raised subordinate debt amounting to Rs. 4,500.0 million through private placement of bonds. The details of these bonds are given below.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
				Rupees in million
Option I	February 28, 2005	1 Yr INBMK[1] + 0.60% (To be reset semi-annually)	5 years and 3 months	2,650.0
Option II	February 28, 2005	7.00	5 years and 3 months	350.0
Option III	February 28, 2005	7.10	7 years and 3 months	550.0
Option IV	February 28, 2005	7.20	10 years and 3 months	950.0
Total				4,500.0

1. INBMK—Indian Benchmark.

12. Investments

The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on March 31, 2006 and March 31, 2005 is given below.

Particulars	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	675,324.8	496,627.7
(b) Outside India	45,215.5	15,124.3
(ii) Provisions for depreciation and fair value provision		
(a) In India	4,960.5	6,869.5
(b) Outside India	105.9	9.0
(iii) Net value of investments		
(a) In India	670,364.3	489,758.2
(b) Outside India	45,109.6	15,115.3
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	6,079.1	10,470.8
(ii) Add: Provisions made during the year (including utilisation of fair value provision)	692.3	(949.1)
(iii) Less: Write-off / write-back of excess provisions during the year	(1,705.0)	(3,442.6)
(iv) Closing balance	5,066.4	6,079.1

13. Investments in equity shares and equity like instruments

The details of the investments made by the Bank in equity and equity like instruments is given below.

	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Equity shares[1]	14,453.1	9,231.4
Convertible debentures	583.8	585.0
Units of equity-oriented mutual funds	200.6	252.7
Investment in venture capital funds	16,149.9	11,761.6
Others (loans against collateral, advances to brokers)[2]	12,956.0	6,683.6
Total	44,343.4	28,514.3

1. Includes advance application money pending allotment of Rs. 2,560.6 million (March 31, 2005: Rs. 821.3 million).
2. Includes unutilised limits sanctioned to brokers and individuals against shares amounting to Rs. 3,648.5 million (March 31, 2005: Rs. 3,495.2 million).

14. Investment in non-SLR securities

i) Issuer composition of non-SLR investments

a) The issuer composition of non-SLR investments of the Bank as on March 31, 2006 is given below.

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
			Rupees in million			
			(a)	(b)	(c)	(d)
1	PSUs	2,875.6	277.5	32.1	0.5	32.6
2	FIs	1,918.2	920.3	—	91.3	91.3
3	Banks	22,373.4	7,087.2	—	—	50.0
4	Private corporates	43,351.2	17,367.6	—	17,256.5	15,879.3
5	Subsidiaries/ Joint ventures	28,607.0	2,704.8	—	150.0	150.0
6	Others	110,647.5	29,891.5	23,422.1	0.3	—
7	Provision held towards depreciation	(5,043.9)	—	—	—	—
	Total	204,729.0	58,248.9	23,454.2	17,498.6	16,203.2

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 2,554.8 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada and Rs. 32,644.2 million invested by overseas branches / offshore banking unit.

b) The issuer composition of non-SLR investments of the Bank as on March 31, 2005 is given below.

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
			Rupees in million			
			(a)	(b)	(c)	(d)
1	PSUs	6,250.0	4,620.5	—	20.5	2,933.6
2	FIs	3,264.3	342.3	—	101.3	101.3
3	Banks	4,684.5	2,419.8	—	—	53.1
4	Private corporates	45,210.9	30,553.2	200.0	31,362.1	29,677.4
5	Subsidiaries/Joint ventures	20,667.0	2,661.3	—	150.0	150.0
6	Others	86,856.4	27,821.3	23,359.0	0.3	—
7	Provision held towards depreciation	(6,877.5)	—	—	—	—
	Total	160,055.6	68,418.4	23,559.0	31,634.2	32,915.4

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 2,551.3 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada and Rs. 7,189.6 million invested by overseas branches / offshore banking unit.

ii) Non-performing non-SLR investments

The movement in gross non-performing non-SLR investments of the Bank as on March 31, 2006, and March 31, 2005 are given below.

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
	Rupees in million	
Opening balance	8,877.3	12,334.7
Additions during the year	2,158.0	1,570.3
Reduction during the year	8,439.4	5,027.3
Closing balance	2,595.9	8,877.3
Total provisions held	1,509.3	3,166.7

15. Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2006, and March 31, 2005 are given below.

	Minimum outstanding balance during the period	Maximum outstanding balance during the period	Daily average outstanding balance during the period	Balance as on year end
	Rupees in million			
Year ended March 31, 2006				
Securities sold under repurchase transaction	—	43,134.3	15,296.0	10,000.0
Securities purchased under reverse repurchase transaction	—	33,608.7	1,214.9	—
Year ended March 31, 2005				
Securities sold under repurchase transaction	—	34,842.0	9,683.6	13,076.3
Securities purchased under reverse repurchase transaction	—	14,520.0	586.7	—

Note: The above figures do not include securities sold and purchased under Liquidity Adjustment Facility ("LAF") of RBI. The above figures are for Indian branches only.

16. Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. The sensitive sectors include capital market, real estate and commodities.

The net position of lending to capital market and commodities sector is given in the table below.

	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Capital market sector		
(i) Investments made in equity shares	14,453.1	9,231.4
(ii) Investments in bonds / convertible debentures	583.8	585.0
(iii) Investments in units of equity-oriented mutual funds	200.6	252.7
(iv) Advances against share to individuals for investment in equity shares (including IPOs /ESOPS), bonds and debentures, units of equity-oriented mutual funds[1]	5,470.1	1,563.2
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	7,485.9	5,120.4
Total[2]	28,193.5	16,752.7
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading	—	—
Commodities sector	29,849.4	10,061.0

1. Represents loans to Non-Banking Financial Companies ("NBFCs"), brokers and individuals against pledge of shares and includes an amount of Rs. 102.7 million as on March 31, 2006 (March 31, 2005: Rs. 141.0 million) pertaining to guarantee issued to a corporate for the issue of non-convertible debentures, the proceeds of which have been utilised for acquisition of shares by the corporate.
2. The total does not include exposure in unregistered Venture Capital funds amounting to Rs. 16,149.9 million as of March 31, 2006 (March 31, 2005: Rs. 11,761.6 million) which forms a part of capital market sector.

The net position of lending to real estate sector is given in the table below.

		As on March 31, 2006	As on March 31, 2005
		Rupees in million	
Real estate sector			
I	Direct exposure	501,514.8	322,930.6
(i)	Residential mortgages, of which	431,668.5	274,883.7
	— Up to Rs. 1.5 million	263,796.5	166,413.1
(ii)	Commercial real estate[1]	69,846.0	45,618.4
(iii)	Investments in mortgage-backed securities (MBS) and other securitised exposures	0.3	2,428.5
	— a. Residential	0.3	2,428.5
	— b. Commercial real estate	—	—
II	Indirect exposure	30,135.8	52,619.9
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	30,135.8	52,619.9
Total		531,650.6	375,550.5

1. Commercial real estate exposure includes loans given to land and building developers for construction, corporates for their real estate requirements and to individuals for non-residential premises.

17. Credit exposure

a) As on March 31, 2006, the Bank had no single borrower exposure above 15% and no group borrower exposure above 40% of capital funds.

b) As on March 31, 2005 the Bank had taken single borrower exposure above 15% with the approval of the Board of Directors in the cases given below.

Name of Borrower	As on March 31, 2005
	% to capital funds
Bharat Heavy Electricals Limited	19.50%
Essar Oil Limited	17.46%
Asset Reconstruction Co. of India Limited ("ARCIL")[1]	16.73%
Larsen & Toubro Limited	16.20%

1. Includes exposure to security receipts issued by ARCIL.

18. Risk category-wise country-wise exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. The country exposure (net) of the Bank in respect of United Kingdom is 1.11% of the total funded assets. As the net funded exposure to United Kingdom exceeds 1%, the Bank has made a provision of Rs. 63.6 million on country exposure during the year ended March 31, 2006.

Risk category	Exposure (net) as on March 31, 2006	Exposure (net) as on March 31, 2005
	Rupees in million	
Insignificant	118,755.5	54,349.8
Low	44,689.4	11,408.4
Moderate	24,372.9	4,592.1
High	3,357.7	—
Very High	—	—
Restricted	447.1	—
Off-Credit	223.1	656.2
Total	191,845.7	71,006.5
—of which funded	138,915.0	38,885.7

19. Advances

The details of movement of gross NPAs, net NPAs and provisions are given in the table below.

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
	Rupees in million	
(i) Net NPAs (funded) to Net Advances (%)	0.72%	1.65%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	27,704.3	30,475.9
(b) Additions during the year[1]	10,202.3	11,157.9
(c) Reductions during the year[1]	(15,680.7)	(13,929.5)
(d) Closing balance[2]	22,225.9	27,704.3
(iii) Movement of Net NPAs		
(a) Opening balance	15,052.7	13,724.0
(b) Additions during the year[1]	7,035.0	11,216.3
(c) Reductions during the year[1]	(11,560.9)	(9,887.6)
(d) Closing balance	10,526.8	15,052.7
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance[3]	12,368.5	16,250.1[4]
(b) Provisions made during the year (including utilisation of fair value provisions)	5,601.2	18,002.1
(c) Write-off/write-back of excess provisions	(6,542.2)	(21,883.7)
(d) Closing balance[3]	11,427.5	12,368.5

1. Excludes cases added to and deleted from NPAs in the same year with such gross loans amounting to Rs. 1,714.7 million (March 31, 2005: Rs. 13,759.9 million) and such net loans amounting to Rs. 1,463.2 million (March 31, 2005: Rs. 9,540.7 million).
2. Includes suspended interest and claims received from ECGC/DICGC of Rs. 271.6 million (March 31, 2005: Rs. 283.7 million) on working capital loan.
3. Excludes technical write-off amounting to Rs. 6,586.7 million (March 31, 2005: Rs. 15,763.6 million) and suspended interest and claims received from ECGC/DICGC of Rs. 271.6 million (March 31, 2005: Rs. 283.7 million).
4. Includes utilisation of fair value provisions.

20. Financial assets transferred during the year to Securitisation Company (SC) / Reconstruction Company (RC)

The Bank has transferred certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by RBI governing such transfer. For the purpose of the valuation of the underlying security receipts issued by the ARCIL, the security receipts were valued at their respective NAVs as advised by the ARCIL. The details of the assets transferred for the years ended March 31, 2006 and March 31, 2005 are given in the table below.

	Year ended March 31, 2006	Year ended March 31, 2005
	Rupees in million	
No. of accounts	15	82
Aggregate value (net of provisions) of accounts sold to SC/RC	4,794.0	13,279.3
Aggregate consideration	4,066.3	10,862.3
Additional consideration realised in respect of accounts transferred in earlier years[1]	—	—
Aggregate gain/(loss) over net book value	(727.7)	(2,417.0)

1. During the year ended March 31, 2006, ARCIL fully redeemed security receipts of four trusts and partly redeemed security receipts of two trusts. The Bank realised Rs. 95.7 million over the gross book value in respect of these trusts.

21. Provisions on standard asset

The provision on standard assets held by the Bank in accordance with RBI guidelines was Rs. 5,638.3 million at March 31, 2006 (March 31, 2005: Rs. 2,248.1 million).

22. Information in respect of restructured assets

a) Details of loan assets subjected to restructuring is given below.

		Year ended March 31, 2006	Year ended March 31, 2005
		Rupees in million	
(i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	4,139.4	20,196.5
	of which under CDR [(i) = (ii)+(iii)+(iv)]	4,077.0	18,060.1
(ii)	The amount of standard assets subjected to restructuring, rescheduling renegotiation;	4,055.5	19,455.3
	of which under CDR	4,055.5	17,501.4
(iii)	The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation;	62.4	558.7
	of which under CDR	—	558.7
(iv)	The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation;	21.5	182.5
	of which under CDR	21.5	—

Note: Above details exclude cases that were approved by CDR Forum and disclosed in the earlier years by the Bank and in which certain terms and conditions have been modified by CDR Forum during the current year. The above table includes cases that were restructured and disclosed in earlier years by the Bank and subsequently referred to and admitted under the CDR scheme during the current year.

b) The gross amounts (net of write-offs) of restructuring under the CDR schemes during the year are given below.

	Year ended March 31, 2006			Year ended March 31, 2005		
Loan Category	No.	Amount	Interest Sacrifice	No.	Amount	Interest Sacrifice
			Rupees in million			
Standard	2	4,055.5	50.7	17	17,501.4	788.0
Sub-standard	—	—	—	3	558.7	—
Doubtful	1	21.5	—	—	—	—
Total	3	4,077.0	50.7	20	18,060.1	788.0

Note: Above details exclude cases that were approved by CDR Forum and disclosed in the earlier years by the Bank and in which certain terms and conditions have been modified by CDR Forum during the current year. The above table includes cases that were restructured and disclosed in earlier years by the Bank and subsequently referred to and admitted under the CDR scheme during the current year.

During the year ended March 31, 2006, there has been no debt restructuring for small and medium enterprises.

c) The Bank has restructured borrower accounts in standard, sub-standard and doubtful categories. The gross amounts (net of write-off) of asset restructured during the year are given below.

Loan Category	Year ended March 31, 2006 No.	Amount	Interest Sacrifice	Year ended March 31, 2005 No.	Amount	Interest Sacrifice
	Rupees in million					
Standard	—	—	—	16	15,745.2	685.8
Sub-standard	1	62.4	—	3	558.7	—
Doubtful	1	21.5	—	5	182.5	—
Total	2	83.9	—	24	16,484.4	685.8

Note: The above details include accounts restructured under the Corporate Debt Restructuring "CDR" scheme during the year, other than cases that were restructured and disclosed in earlier years by the Bank and subsequently referred to and admitted under the CDR scheme during the current year.

23. Details of non-performing assets sold, excluding those sold to SC/RC

The Bank has sold certain cases of non-performing assets in terms of the guidelines issued by RBI circular no. DBOD.NO.BP.BC.16/21.04.048/2005-06 dated July 13, 2005 on such sale. The details of assets sold are given below.

Particulars	Year Ended March 31, 2006
	Rupees in million
1. No. of borrower accounts sold	366
2. Aggregate outstanding (gross)	14,384.1
3. Aggregate consideration received	2,223.2

24. Fixed Assets

Fixed assets include softwares acquired by the Bank. The movement in software assets is given below.

	Year ended March 31, 2006	Year ended March 31, 2005
	Rupees in million	
At cost as on March 31st of preceding year	2,422.6	2,057.7
Additions during the year	430.1	364.9
Deductions during the year	—	—
Depreciation to date	(2,026.3)	(1,396.5)
Net block	826.4	1,026.1

25. Assets under lease

25.1 Assets under operating lease

The details of future rentals payable on operating leases are given below.

Period	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Not later than one year	126.7	234.4
Later than one year and not later than five years	605.9	999.5
Later than five years	2.0	311.2
Total	734.6	1,545.1

25.2 Assets under finance lease

The details of finance leases are given below.

Period	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Total of future minimum lease payments	817.1	1,105.5
Present value of lease payments	695.1	913.6
Unmatured finance charges	122.0	191.9
Maturity profile of total of future minimum lease payments		
—Not later than one year	232.4	293.3
—Later than one year and not later than five years	584.7	804.5
—Later than five years	—	7.7
Total	817.1	1,105.5

25.3 The maturity profile of present value of lease payments is given below.

The details of maturity profile of present value of finance lease payments are given below.

Period	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Not later than one year	176.7	222.8
Later than one year and not later than five years	518.4	683.3
Later than five years	—	7.5
Total	695.1	913.6

26. Early Retirement Option (“ERO”)

The Bank had implemented an Early Retirement Option Scheme 2003 for its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

The ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million is being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2005: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2006.

27. Provisions for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the year ended March 31, 2006 and March 31, 2005 amounted to Rs. 5,535.3 million and Rs. 5,190.0 million respectively.

28. Deferred Tax

As on March 31, 2006, the Bank has recorded net deferred tax asset of Rs. 1,642.8 million (March 31, 2005: Rs. 148.7 million), which has been included in Other Assets. The break-up of deferred tax assets and liabilities into major items is given below.

Particulars	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
Deferred tax asset		
Provision for bad and doubtful debts	6,501.5	6,990.8
Capital loss	950.0	—
Others	880.7	917.2
	8,332.2	7,908.0
Less: Deferred tax liability		
Depreciation on fixed assets	6,697.2	7,537.7
Others	—	221.6
	6,697.2	7,759.3
Add: Deferred tax asset pertaining to foreign branches	7.8	—
Total net deferred tax asset/ (liability)	1,642.8	148.7

During the year ended March 31, 2006, the Bank has created a deferred tax asset on carry forward capital losses as based on its firm plans it is virtually certain that sufficient future taxable capital gains will be available against which the loss can be set off.

29. Other Assets

29.1 Exchange fluctuation

Exchange fluctuation aggregating Rs. 25.0 million (March 31, 2005: Rs. 244.7 million), which arises on account of rupee-tying agreements with the Government of India, is held in “Rupee Determine Exchange Fluctuation Account” pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

29.2 Swap suspense (net)

Swap suspense (net) aggregating Rs. 71.6 million (debit) (March 31, 2005: Rs. 794.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in “Swap suspense account” and will be reversed at conclusion of swap transactions with swap counter-parties.

30. Derivatives

ICICI Bank is a major participant in the financial derivatives market. The Bank deals in derivatives for balance sheet management and market-making purposes whereby the Bank offers derivative products to its customers, enabling them to hedge their risks.

Dealing in derivatives is carried out by identified groups in the treasury of the Bank based on purpose of transaction. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

The market making and the proprietary trading activities in derivatives are governed by the investment policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. The Risk

Management Group ("RMG") lays down the methodology for computation and monitoring of risk. The Risk Committee of the Board ("RCB") reviews the Bank's risk management policy in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and compliance issues in relation thereto. The RCB comprises of independent directors and the Managing Director and CEO.

Risk monitoring of the derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using Value at Risk ("VAR") approach and the relevant greeks for options. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the VAR of the derivatives portfolio is reported on a daily basis.

The use of derivatives for hedging purpose is governed by the hedge policy approved by Asset Liability Management Committee ("ALCO"). Subject to prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/liabilities. Transactions for hedging and market-making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is assessed at the time of inception of the hedge and periodically thereafter. During the year the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting. Derivatives for market making purpose are marked to market and the resulting gain/ loss is recorded in the profit and loss account. Premia on options are accounted for at the expiry of the options. The Bank makes provisions on the outstanding positions in trading derivatives for possible adverse movements in underlying. Derivative transactions are covered under International Swap Dealers Association ("ISDA") master agreements with the respective counterparties. The credit exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counterparties.

		As on March 31, 2006	
Sr. No.	**Particular**	**Currency derivatives[1]**	**Interest rate derivatives[2]**
		(Rupees in million)	
1	Derivatives (Notional principal amount)		
	a) For hedging	—	41,252.2
	b) For trading	428,580.4	2,174,510.4
2	Marked to market positions[3]		
	a) Asset (+)	2,150.3	1,963.2
	b) Liability (-)	—	—
3	Credit exposure	21,458.8	28,170.8
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives[4]	—	(1,230.8)
	b) on trading derivatives	1,087.0	900.9
5	Maximum and minimum of 100*PV01 observed during the year		
	a) on hedging[4]		
	Maximum	—	838.4
	Minimum	(74.4)	(1,230.8)
	b) on trading		
	Maximum	1,119.8	1,097.5
	Minimum	632.8	(1,439.1)

1. Options & Cross Currency Interest Rate Swaps are included in currency derivatives.
2. Foreign currency Interest Rate Swaps, Forward Rate Agreements and swaptions are included in interest rate derivatives.

3. For trading portfolio.
4. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Sr. No.	Particular	As on March 31, 2005 Currency derivatives[1] (Rupees in million)	As on March 31, 2005 Interest rate derivatives[2] (Rupees in million)
1	Derivatives (Notional principal amount)		
	a) For hedging	8,083.1	106,428.6
	b) For trading	274,325.6	1,335,689.1
2	Marked to market positions[3]		
	a) Asset (+)	442.0	564.7
	b) Liability (-)	—	—
3	Credit exposure	9,373.9	18,124.4
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives[4]	(79.4)	(22.1)
	b) on trading derivatives	880.7	(534.5)
5	Maximum and minimum of 100*PV01 observed during the year		
	a) on hedging[4]		
	Maximum	(38.2)	2.8
	Minimum	(101.5)	(1,675.1)
	b) on trading		
	Maximum	1,280.6	180.8
	Minimum	156.6	(1,081.3)

1. Options & cross currency interest rate swaps are included in currency derivatives.
2. Foreign currency interest rate swaps and forward rate agreements are included in interest rate derivatives.
3. For trading portfolio.
4. The swap contracts entered for hedging purpose have an opposite and offsetting impact with the underlying on-balance sheet items.

The notional principal amount of credit derivatives outstanding at March 31, 2006 was Rs. 23,514.4 million (March 31, 2005: Rs. 3,937.1 million).

The notional principal amount of forex contracts classified as hedging amounted to Rs. 165,041.4 million (March 31, 2005: Rs. 60,340.1 million). The notional principal amount of forex contracts classified as trading amounted to Rs. 753,273.6 million (March 31, 2005: Rs. 609,304.1 million).

The net overnight open position at March 31, 2006 is Rs. 457.8 million (March 31, 2005: Rs. 190.7 million).

31. Forward rate agreement (“FRA”)/ Interest rate swaps (“IRS”)

The notional principal amount of Rupee IRS contracts at March 31, 2006 is Rs. Nil for hedging contracts (March 31, 2005: Rs. 51,100.0 million) and Rs. 1,870,025.6 million for trading contracts (March 31, 2005: Rs. 1,114,302.0 million).

The fair value represents the estimated replacement cost of swap contracts at balance sheet date. At March 31, 2006 the fair value of trading rupee interest rate swap contracts is Rs. 922.4 million (March 31, 2005: Rs. 333.6 million).

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfil their contractual obligations. At March 31, 2006, the associated credit risk on trading rupee interest rate swap contracts is Rs. 16,754.4 million (March 31, 2005: Rs. 9,865.3 million).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points change in the interest rates. At March 31, 2006 the market risk on trading rupee interest rate swap contracts amounts to Rs. 1,192.3 million (March 31, 2005: Rs. 137.8 million).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter-party. At March 31, 2006 there is a credit risk concentration of Rs. 476.4 million (March 31, 2005: Rs. 274.6 million) under rupee interest rate swap contracts, with ICICI Securities. As per the prevailing market practice, the Bank does not insist on collateral from the counter-parties in these contracts.

The details of the forward rate agreements/interest rate swaps are given below.

Particulars	As on March 31, 2006	As on March 31, 2005
	Rupees in million	
(i) The notional principal of rupee swap agreements[1]	1,870,025.6	1,165,402.0
(ii) Losses which would be incurred if all counter-parties failed to fulfil their obligations under the agreements	16,754.4	9,865.3
(iii) Collateral required by the Bank upon entering into swaps	—	—
(iv) Concentration of credit risk arising from the rupee swaps	476.4	274.6
(v) The fair value of rupee trading swap book[2]	922.4	333.6

1. Notional principal of swap agreements includes both hedge and trading portfolio.
2. Fair value represents clean mark-to-market.

32. Exchange Traded Interest Rate Derivatives

The detail of exchange traded interest rate derivatives is given below.

Sr. No.	Particular	As on March 31, 2006 (Rupees in million)
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) Eurodollar futures	133,577.3
	b) Treasury note futures—10 year	13,496.0
	c) Treasury note futures—5 year	3,319.4
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2006 (instrument-wise)	
	a) Eurodollar futures	—
	b) Treasury note futures—10 year	1,516.9
	c) Treasury note futures—5 year	—
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	NA
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not “highly effective” (instrument-wise)	NA

Note: All the transactions in exchange traded derivatives have been entered into by foreign branches for trading portfolio.

Sr. No.	Particular	As on March 31, 2005 (Rupees in million)
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) Eurodollar futures	73,404.1
	b) Treasury note futures—10 year	153.1
	c) Treasury note futures—5 year	1,224.9
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2005 (instrument-wise)	
	a) Eurodollar futures	—
	b) Treasury note futures—10 year	65.6
	c) Treasury note futures—5 year	—
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA

Note: All the transactions in exchange traded derivatives have been entered into by foreign branches for trading portfolio.

33. Subvention income

The Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. As a result of the change in policy, the impact on profit after tax for the year ended March 31, 2006 is not expected to be significant.

34. Provision

RBI has increased the requirement of general provisioning on standard loans (excluding loans to agriculture sector and small and medium enterprises) to 0.40% compared to 0.25% earlier. In accordance with the revised guidelines on general provisioning on standard loans, the Bank has made general provision of Rs. 3,390.2 million during the year ended March 31, 2006. The Bank has reassessed its provision requirement on performing loans and non-performing loans on a portfolio basis during the year ended March 31, 2006. Based on this reassessment, the Bank has written back an amount of Rs. 1,692.2 million from its existing provisions against non-performing loans, which were in excess of regulatory requirements.

35. Penalties imposed by RBI

The RBI had imposed penalties (ranging from Rs. 0.5 million to Rs. 2.0 million) on certain banks including ICICI Bank on January 23, 2006 under Section 47A(1)(b) of the Banking Regulation Act, 1949. A penalty of Rs. 0.5 million (March 31, 2005: Rs. Nil) had been imposed on the Bank citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC")/Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

36. Comparative figures

Figures of the previous period/year have been regrouped to conform to the current year presentation.

Signatures to Schedules 1 to 18

For and on behalf of Board of Directors

N. Vaghul Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
Kalpana Morparia Joint Managing Director	**Chanda D. Kochhar** Deputy Managing Director	**Nachiket Mor** Deputy Managing Director
Vishakha Mulye Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**Rakesh Jha** General Manager

Place: Mumbai
Date: April 29, 2006

Auditors' Report to the Members of ICICI Bank Limited for the Fiscal Year ended 31st March, 2005

1. We have audited the attached balance sheet of ICICI Bank Limited (the "Bank") as at March 31, 2005 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. Incorporated in the said financial statements is the return of the one foreign branch audited by another firm of independent accountants.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The balance sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.

4. We report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

   b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;

   c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The audited returns of the foreign branch has been forwarded to us and has been appropriately dealt with;

   d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, insofar as they apply to the Bank;

   f) On the basis of written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;

   g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;

      i. in case of the balance sheet, of the state of the affairs of the Bank as at March 31, 2005;

      ii. in case of the profit and loss account, of the profit for the year ended on that date; and

      iii. in case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
a Partner
Membership No.: 048749

April 30, 2005

Balance Sheet as on March 31, 2005

	Schedule	As on 31.03.2005 Rupees in '000s	As on 31.03.2004 Rupees in '000s
Capital and Liabilities			
Capital	1	10,867,758	9,664,012
Reserves and Surplus	2	118,131,954	73,941,561
Deposits	3	998,187,775	681,085,845
Borrowings	4	335,444,960	307,402,393
Other liabilities and provisions	5	213,961,606	180,194,930
Total		**1,676,594,053**	**1,252,288,741**
Assets			
Cash and balance with Reserve Bank of India	6	63,449,004	54,079,966
Balances with banks and money at call and short notice	7	65,850,719	30,626,378
Investments	8	504,873,525	434,355,214
Advances	9	914,051,517	626,476,288
Fixed Assets	10	40,380,361	40,564,141
Other Assets	11	87,988,927	66,186,754
Total		**1,676,594,053**	**1,252,288,741**
Contingent liabilities	12	**2,681,537,382**	**2,029,419,027**
Bills for collection		**23,920,922**	**15,109,352**
Significant accounting policies and notes to accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co. Chartered Accountants	**N. Vaghul** Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
per Viren H. Mehta a Partner	**Kalpana Morparia** Deputy Managing Director	**Chanda D. Kochhar** Executive Director	**Nachiket Mor** Executive Director
	N. S. Kannan Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**G. Venkatakrishnan** General Manager—Accounting and Taxation Group

Place: Mumbai

Date: April 30, 2005

Profit and Loss Account for the year ended March 31, 2005

		Schedule	Year ended 31.03.2005 Rupees in '000s	Year ended 31.03.2004 Rupees in '000s
I.	**INCOME**			
	Interest earned	13	94,098,944	90,023,946
	Other income	14	34,161,439	30,649,228
	Total		**128,260,383**	**120,673,174**
II.	**EXPENDITURE**			
	Interest expended	15	65,708,876	70,152,492
	Operating expenses	16	32,991,475	25,712,325
	Provisions and contingencies	17	9,508,016	8,437,294
	Total		**108,208,367**	**104,302,111**
III.	**PROFIT/LOSS**			
	Net profit for the year		20,052,016	16,371,063
	Profit brought forward		530,876	50,520
	Total		**20,582,892**	**16,421,583**
IV.	**APPROPRIATIONS/TRANSFERS**			
	Statutory Reserve		5,020,000	4,093,000
	Capital Reserve		200,000	2,650,000
	Investment Fluctuation Reserve		—	2,760,000
	Special Reserve		250,000	250,000
	Revenue and other reserves		6,000,000	—
	Proposed equity share dividend		6,329,609	5,440,592
	Proposed preference share dividend		35	35
	Corporate dividend tax		901,027	697,080
	Balance carried over to balance sheet		1,882,221	530,876
Total			**20,582,892**	**16,421,583**
Significant Accounting Policies and Notes to Accounts		18		
Earning per Share (Refer note B. 8)				
	Basic (Rs.)		**27.55**	**26.66**
	Diluted (Rs.)		**27.33**	**26.44**
Face value per share			**10.00**	**10.00**

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
a Partner
Membership No.: 048749

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

Kalpana Morparia
Deputy Managing Director

Chanda D. Kochhar
Executive Director

Nachiket Mor
Executive Director

N. S. Kannan
Chief Financial Officer & Treasurer

Jyotin Mehta
General Manager & Company Secretary

G. Venkatakrishnan
General Manager—Accounting and Taxation Group

Place: Mumbai

Date: April 30, 2005

Cash flow statement for the year ended March 31, 2005

PARTICULARS	Year ended 31.03.2005	Year ended 31.03.2004
	Rupees in '000s	Rupees in '000s
Cash flow from operating activities		
Net profit before taxes	25,272,032	19,022,209
Adjustments for:		
Depreciation and amortisation	9,424,450	9,268,549
Net (appreciation)/depreciation on investments	5,416,494	987,057
Provision in respect of non-performing assets (including prudential provision on standard assets	(1,213,571)	4,591,155
Provision for contingencies & others	85,984	207,936
Income from subsidiaries (investing activity)	(1,880,786)	(1,261,729)
Loss on sale of fixed assets	20,822	19,136
	37,125,425	32,834,313
Adjustments for:		
(Increase)/decrease in Investments	(43,133,937)	(47,269,037)
(Increase)/decrease in Advances	(287,949,797)	(90,899,851)
Increase/(decrease) in Borrowings	54,169,059	11,401,514
Increase/(decrease) in Deposits	317,101,929	199,392,782
(Increase)/decrease in Other assets	(20,734,975)	(7,914,593)
Increase/(decrease) in Other liabilities and provisions	43,226,853	14,154,337
	62,679,132	78,865,152
Direct taxes paid	(8,487,388)	(8,531,173)
Net cash generated from operating activities (A)	**91,317,169**	**103,168,292**
Cash flow from investing activities		
Investments in subsidiaries and/or joint ventures	(6,430,433)	(6,415,226)
Income received on such investments	1,880,786	1,261,729
Purchase of fixed assets	(3,795,277)	(4,838,324)
Proceeds from sale of fixed assets	262,914	337,851
(Purchase)/Sale of held to maturity securities	(26,370,435)	(11,715,313)
Net cash generated from investing activities (B)	**(34,452,445)**	**(21,369,283)**
Cash flow from financing activities		
Proceeds from issue of share capital	31,922,933	—
Amount received on exercise of stock options	649,862	539,078
Repayment of bonds (including subordinated debt)	(38,616,923)	(57,334,107)
Dividend and dividend tax paid	(6,227,217)	(5,187,662)
Net cash generated from financing activities (C)	**(12,271,345)**	**(61,982,691)**
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	44,593,379	19,816,318
Cash and cash equivalents as at 1st April	84,706,344	64,890,026
Cash and cash equivalents as at 31st March	129,299,723	84,706,344

Significant accounting policies and notes to accounts (refer to Schedule 18)

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
a Partner

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

Kalpana Morparia
Deputy Managing Director

Chanda D. Kochhar
Executive Director

Nachiket Mor
Executive Director

N. S. Kannan
Chief Financial Officer & Treasurer

Jyotin Mehta
General Manager & Company Secretary

G. Venkatakrishnan
General Manager— Accounting and Taxation Group

Place: Mumbai

Date: April 30, 2005

Schedules forming part of the balance sheet

SCHEDULE 1—CAPITAL

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
Authorised capital		
1,550,000,000 equity shares of Rs. 10 each (March 31, 2004: 1,550,000,000 equity shares of Rs. 10 each)	15,500,000	15,500,000
350 preference shares of Rs. 10 million each	3,500,000	3,500,000
Equity share capital		
Issued, subscribed and paid-up capital 616,391,905 equity shares (March 31, 2004: 613,021,301 equity shares) of Rs. 10 each	6,163,919	6,130,213
Less : Calls unpaid	—	—
Add : Forfeited 67,323 (March 31, 2004: 13,103 equity shares) equity shares	372	93
Add : Issued 120,324,189 equity shares (March 31, 2004: 3,370,604 equity shares) of Rs. 10 each(1)	1,203,242	33,706
Share capital suspense [net] [Represents application money received for 22,470 equity shares (March 31, 2004: Nil equity shares) of Rs. 10 each on exercise of employee stock options]	225	—
TOTAL	**7,367,758**	**6,164,012**
Preference Share Capital(2) [Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	3,500,000	3,500,000
TOTAL	**10,867,758**	**9,664,012**

(1) Includes :-
   a) 108,874,351 equity shares (net of shares forfeited) issued consequent to public issue vide prospectus dated April 12, 2004
   b) 6,992,187 equity shares on exercise of the Green Shoe Option.
   c) 4,457,651 equity shares on exercise of employee stock options (March 31, 2004: 3,370,604 equity shares).

(2) The notification from Ministry of Finance has currently exempted the Bank from the restriction of section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

Note: Pursuant to the sponsored ADS offering in March 2005, 41,371,500 equity shares have been converted to 20,685,750 ADSs.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 2—RESERVES AND SURPLUS

		As on 31.03.2005	As on 31.03.2004
		Rupees in '000s	
I.	Statutory reserve		
	Opening balance	9,607,307	5,514,307
	Additions during the year	5,020,000	4,093,000
	Deductions during the year	—	—
	Closing balance	14,627,307	9,607,307
II.	Special reserve		
	Opening balance	11,690,000	11,440,000
	Additions during the year	250,000	250,000
	Deductions during the year	—	—
	Closing balance	11,940,000	11,690,000
III.	Share premium		
	Opening balance	8,523,304	8,045,721
	Additions during the year(1)	31,897,100	477,583
	Deductions during the year(2)	528,052	—
	Closing balance	39,892,352	8,523,304
IV.	Investment fluctuation reserve		
	Opening balance	7,303,350	1,273,350
	Additions during the year	—	6,030,000
	Deductions during the year	2,143,350	—
	Closing balance	5,160,000	7,303,350
V.	Capital reserve		
	Opening balance	4,650,000	2,000,000
	Additions during the year	200,000	2,650,000
	Deductions during the year	—	—
	Closing balance	4,850,000	4,650,000
VI.	Revenue and other reserves		
	Opening balance	31,636,724	34,906,724
	Additions during the year	8,143,350	—
	Deductions during the year	—	3,270,000
	Closing balance	39,780,074	31,636,724
VII.	Balance in profit and loss account	1,882,221	530,876
TOTAL		**118,131,954**	**73,941,561**

(1) Includes:

a) Rs. 29,396.1 million (net of share premium in arrears of Rs. Nil (March 31, 2004: Rs. Nil) consequent to public issue vide prospectus dated April 12, 2004.

b) Rs. 1,887.9 million on the exercise of the Green Shoe Option.

c) Rs. 602.5 million (March 31, 2004: Rs. 477.6 million) on exercise of employee stock options.

d) Rs. 2.5 million (March 31, 2004: Rs. Nil) on account of share application money on exercise of employee stock options.

e) Rs. 8.1 million (March 31, 2004: Rs. Nil) on account of shares forfeited as per terms of public issue vide prospectus dated April 12, 2004.

(2) Represents share issue expenses amounting to Rs. 528.1 million, written-off from the share premium account as per the object of the issue.

SCHEDULE 3—DEPOSITS

		As on 31.03.2005	As on 31.03.2004
		Rupees in '000s	
A.I.	Demand deposits		
	i) From banks	1,976,547	1,345,603
	ii) From others	126,392,471	71,244,990
II.	Savings bank deposits	113,918,205	83,720,260
III.	Term deposits		
	i) From banks	64,467,974	50,418,828
	ii) From others	691,432,578	474,356,164
TOTAL		**998,187,775**	**681,085,845**
B.I.	Deposits of branches in India	963,791,353	670,287,519
II.	Deposits of branches outside India	34,396,422	10,798,326
TOTAL		**998,187,775**	**681,085,845**

SCHEDULE 4—BORROWINGS

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. Borrowings in India		
i) Reserve Bank of India	—	—
ii) Other banks	20,779,268	16,568,829
iii) Other institutions and agencies		
a) Government of India	3,612,510	4,411,459
b) Financial Institutions	45,185,692	40,531,000
iv) Borrowings in the form of		
a) Deposits taken over from erstwhile ICICI Limited	2,070,517	3,098,362
b) Bonds and debentures (excluding subordinated debt)		
—Debentures and bonds guaranteed by the government of India	14,815,000	14,815,000
—Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement	30,948,127	48,150,574
Bonds issued under multiple option/safety bonds series		
—Regular interest bonds	9,933,481	10,953,604
—Deep discount bonds	4,039,128	4,069,486
—Bonds with premium warrants	797,947	685,670
—Encash bonds	1,170,280	1,431,105
—Tax saving bonds	59,167,873	84,889,030
—Pension bonds	59,351	56,896
c) Application money pending allotment	6,160,858	—
II. Borrowings outside India		
i) From multilateral/bilateral credit agencies (guaranteed by the government of India for the equivalent of Rs. 20,448.6 million)	24,949,331	24,403,563
ii) From international banks, institutions and consortiums	80,041,728	35,111,989
iii) By way of bonds and notes	31,713,869	18,225,826
TOTAL	**335,444,960**	**307,402,393**

Secured borrowings in I and II above is Rs. Nil.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. Bills payable	27,944,845	16,852,843
II. Inter-office adjustments (net)	5,614,186	3,419,337
III. Interest accrued	13,116,497	13,561,305
IV. Unsecured Redeemable Debentures/Bonds (Subordinated for Tier II Capital)	82,088,996	91,058,612
V. Others		
a) Security deposits from clients	12,030,416	9,510,841
b) Sundry creditors	42,262,101	24,970,428
c) Received for disbursements under special program	2,932,942	2,730,091
d) Provision for standard assets	2,248,050	3,828,050
e) Other Liabilities*	25,723,573	14,263,423
TOTAL	**213,961,606**	**180,194,930**

* Includes

a) Proposed dividend Rs. 6,262.1 million (March 31, 2004: Rs. 5,439.9 million).

b) Corporate dividend Tax payable Rs. 878.3 million (March 31, 2004: Rs. 697.0 million).

SCHEDULE 6—CASH AND CASH BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. Cash in hand (including foreign currency notes)	5,544,811	4,467,734
II. Balances with Reserve Bank of India in current accounts	57,904,193	49,612,232
TOTAL	**63,449,004**	**54,079,966**

SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. In India		
i) Balances with banks		
a) in current accounts	5,228,934	3,411,303
b) in other deposit accounts	7,061,268	10,238,969
ii) Money at call and short notice		
a) with banks	16,100,000	—
b) with other institutions	1,900,000	—
TOTAL	**30,290,202**	**13,650,272**
II. Outside India		
i) in current accounts	7,324,711	2,877,153
ii) in other deposit accounts	16,659,195	9,948,286
iii) money at call and short notice	11,576,611	4,150,667
TOTAL	**35,560,517**	**16,976,106**
GRAND TOTAL (I + II)	**65,850,719**	**30,626,378**

SCHEDULE 8—INVESTMENTS [net of provisions]

		As on 31.03.2005	As on 31.03.2004
		Rupees in '000s	
I.	**Investments in India**		
i)	Government securities	344,516,800	298,876,781
ii)	Other approved securities	301,154	301,155
iii)	Shares	19,147,771	16,842,660
iv)	Debentures and Bonds	28,540,305	55,490,989
v)	Subsidiaries and/or joint ventures	12,848,124	11,037,612
vi)	Others (CPs, Mutual Fund Units, Pass through Certificates, Security Receipts etc.)	84,404,072	48,196,306
	TOTAL	**489,758,226**	**430,745,503**
II.	**Investments outside India**		
i)	Government securities	377,947	132,924
ii)	Subsidiaries and/or joint ventures abroad*	7,818,846	3,198,926
iii)	Others	6,918,506	277,861
	TOTAL	15,115,299	3,609,711
	GRAND TOTAL (I + II)	**504,873,525**	**434,355,214**

* Includes investment in preference shares.

SCHEDULE 9—ADVANCES [net of provisions]

			As on 31.03.2005	As on 31.03.2004
			Rupees in '000s	
A.	i)	Bills purchased and discounted	43,984,209	12,308,603
	ii)	Cash credits, overdrafts and loans repayable on demand	123,344,410	60,978,735
	iii)	Term loans	722,588,931	539,807,424
	iv)	Securitization, Finance lease and Hire Purchase receivables*	24,133,967	13,381,526
		TOTAL	**914,051,517**	**626,476,288**
B.	i)	Secured by tangible assets (includes advances against Book Debt)	778,517,712	573,528,527
	ii)	Covered by Bank/Government Guarantees	10,104,623	6,154,561
	iii)	Unsecured	125,429,182	46,793,200
		TOTAL	**914,051,517**	**626,476,288**
C.I.		Advances in India		
	i)	Priority Sector	200,892,904	145,307,396
	ii)	Public Sector	11,154,310	7,071,294
	iii)	Banks	4,517,162	433,504
	iv)	Others	635,303,209	463,026,182
		TOTAL	**851,867,585**	**615,838,376**
II.		Advances outside India		
	i)	Due from banks	10,375,851	—
	ii)	Due from others		
		a) Bills purchased and discounted	24,736,630	5,958,406
		b) Syndicated loans	11,925,394	1,962,537
		c) Others	15,146,057	2,716,969
		TOTAL	**62,183,932**	**10,637,912**
TOTAL ADVANCES			**914,051,517**	**626,476,288**

* Includes receivables under lease amounting to Rs. 913.6 million (March 31, 2004: Rs. 1,417.8 million)

SCHEDULE 10—FIXED ASSETS

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. Premises		
At cost as March 31st of preceding year	16,668,982	16,061,840
Additions during the year	2,254,384	939,989
Deductions during the year	(93,625)	(332,847)
Depreciation to date	(1,516,102)	(1,020,673)
Net block	**17,313,639**	**15,648,309**
II. Other fixed assets (including furniture and fixtures)*		
At cost as on March 31st of preceding year	13,587,781	10,612,849
Additions during the year	2,826,608	3,121,078
Deductions during the year	(110,450)	(146,146)
Depreciation to date	(7,765,842)	(5,303,877)
Net block	**8,538,097**	**8,283,904**
III. Assets given on Lease		
At cost as on March 31st of preceding year	20,645,237	21,455,141
Additions during the year	2,838	777,257
Deductions during the year	(525,248)	(1,587,161)
Depreciation to date, accumulated lease adjustment and provisions	(5,594,202)	(4,013,309)
Net block	**14,528,625**	**16,631,928**
TOTAL	**40,380,361**	**40,564,141**

* Includes amount capitalized on software: Cost as on 31.03.2004 Rs. 2,057.7 million. Additions during the year Rs. 364.9 million. Accumulated depreciation Rs. 1,396.5 million. Net value Rs. 1,026.1 million.

SCHEDULE 11—OTHER ASSETS

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. Inter-office adjustments (net)	—	—
II. Interest accrued	13,124,389	10,031,028
III. Tax paid in advance/tax deducted at source (net)	26,643,957	19,951,503
IV. Stationery and Stamps	3,609	3,600
V. Non-banking assets acquired in satisfaction of claims*	3,677,234	5,047,938
VI. Others		
a) Advance for capital assets	963,017	939,922
b) Outstanding fees and other Income	2,792,942	1,484,556
c) Exchange fluctuation suspense with Government of India	244,749	577,818
d) Swap suspense	794,710	677,012
e) Deposits	15,003,770	8,951,335
f) Deferred tax asset (net)	148,666	4,429,685
g) Early retirement option expenses not written off	1,269,979	1,653,979
h) Others	23,321,905	12,438,378
TOTAL	**87,988,927**	**66,186,754**

* Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Banks' name.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 12—CONTINGENT LIABILITIES

	As on 31.03.2005	As on 31.03.2004
	Rupees in '000s	
I. Claims against the Bank not acknowledged as debts	27,464,523	25,017,852
II. Liability for partly paid investments	168,396	1,241,429
III. Liability on account of outstanding forward exchange contracts	714,848,723	557,043,848
IV. Guarantees given on behalf of constituents		
a) In India	140,444,828	113,855,978
b) Outside India	15,968,174	6,433,971
V. Acceptances, endorsements and other obligations	74,115,736	65,141,996
VI. Currency Swaps	112,957,025	44,484,809
VII. Interest rate swaps, currency options and interest rate futures	1,519,218,305	1,177,640,840
VIII. Other items for which the Bank is contingently liable	76,351,672	38,558,304
TOTAL	**2,681,537,382**	**2,029,419,027**

Schedules forming part of the profit and loss account

SCHEDULE 13—INTEREST EARNED

		Year ended 31.03.2005	Year ended 31.03.2004
		Rupees in '000s	
I.	Interest/discount on advances/bills	67,528,301	60,738,528
II.	Income on investments	22,294,366	25,400,941
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	2,320,089	2,106,345
IV.	Others*	1,956,188	1,778,132
	TOTAL	**94,098,944**	**90,023,946**

* Includes interest on income tax refunds Rs. 247.3 million (March 31, 2004: Rs. 406.1 million).

SCHEDULE 14—OTHER INCOME

		Year ended 31.03.2005	Year ended 31.03.2004
		Rupees in '000s	
I.	Commission, exchange and brokerage	19,210,001	10,717,982
II.	Profit/(Loss) on sale of investments (net)	5,461,352	12,246,330
III.	Profit/(Loss) on revaluation of investments (net)	(907)	—
IV.	Profit/(Loss) on sale of land, buildings and other assets (net)*	(20,822)	(19,136)
V.	Profit/(Loss) on foreign exchange transactions (net)	3,146,394	1,926,267
VI.	Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	1,880,786	1,261,730
VII.	Miscellaneous Income (including lease income)	4,484,635	4,516,055
	TOTAL	**34,161,439**	**30,649,228**

* Includes profit/(loss) on sale of assets given on lease.

SCHEDULE 15—INTEREST EXPENDED

		Year ended 31.03.2005	Year ended 31.03.2004
		Rupees in '000s	
I.	Interest on deposits	32,520,688	30,230,202
II.	Interest on Reserve Bank of India/inter-bank borrowings	2,527,689	2,293,656
III.	Others (including interest on borrowings of erstwhile ICICI Limited)*	30,660,499	37,628,634
	TOTAL	**65,708,876**	**70,152,492**

* Includes expenses incurred to raise funds amounting to Rs. 252.6 million (March 31, 2004 : Rs. 297.4 million).

Schedules forming part of the profit and loss account—(Continued)

SCHEDULE 16—OPERATING EXPENSES

		Year ended 31.03.2005	Year ended 31.03.2004
		Rupees in '000s	
I.	Payments to and provisions for employees	7,374,121	5,460,573
II.	Rent, taxes and lighting	1,853,347	1,492,502
III.	Printing and Stationery	876,632	861,008
IV.	Advertisement and publicity	1,162,555	686,788
V.	Depreciation on Bank's property (including non banking assets)	2,933,725	2,609,344
VI.	Depreciation (including lease equalisation) on Leased assets	2,969,907	2,785,069
VII.	Directors' fees, allowances and expenses	3,872	3,650
VIII.	Auditors' fees and expenses	17,632	16,750
IX.	Law Charges	97,141	86,895
X.	Postages, Telegrams, Telephones, etc.	1,736,270	1,415,019
XI.	Repairs and maintenance	2,159,454	1,895,723
XII.	Insurance	597,230	334,991
XIII.	Direct marketing agency expenses	4,854,521	2,937,004
XIV.	Other expenditure	6,355,068	5,127,009
	TOTAL	**32,991,475**	**25,712,325**

SCHEDULE 17—PROVISIONS AND CONTINGENCIES

		Year ended 31.03.2005	Year ended 31.03.2004
		Rupees in '000s	
I.	Income Tax		
	—Current period tax	1,764,935	2,695,947
	—Deferred tax adjustment	3,425,081	(68,800)
II.	Wealth Tax	30,000	24,000
III.	Provision for investments (including credit substitutes) (net)	5,415,587	987,056
IV.	Provision for advances (net)*	(1,213,571)	4,591,155
V.	Others	85,984	207,936
	TOTAL	**9,508,016**	**8,437,294**

* Includes provision on non performing advances, non performing leased assets, other receivables and standard assets.

SCHEDULE 18—SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Overview

ICICI Bank Limited (“ICICI Bank” or “the Bank”), incorporated in Vadodara, India is a publicly held bank engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Basis of Preparation

The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles (“GAAP”) in India, the guidelines issued by Reserve Bank of India (“RBI”) from time to time and practices generally prevailing within the banking industry in India. The Bank follows the accrual method of accounting, except where otherwise stated, and the historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

Equity issue

During the year, the Bank made an issue of 115,920,758 equity shares (including 6,992,187 equity shares issued by exercise of green shoe option) of Rs.10 each at a premium of Rs. 270 per share aggregating Rs. 32,457.8 million under the Prospectus dated April 12, 2004. The expenses of the issue have been charged to the Share Premium Account, in accordance with the objects of the Issue stated in the Prospectus.

ICICI Bank had sponsored American Depositary Shares (ADSs) Offering which opened for participation on March 7, 2005 and closed on March 11, 2005. In terms of the Offering, 20,685,750 ADSs representing 41,371,500 equity shares had been sold at a price of US$ 21.1 per ADS. The gross proceeds from the ADS Offering were approximately US$ 436.7 million (Rs.19,099.6 million). The net consideration per share (after deduction of expenses in connection with the offering) was Rs. 453.16.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets where it is recognised, upon realisation, as per the prudential norms of RBI. Accrual of income is also suspended considering economic conditions and other risk factors, on certain other loans, including certain projects under implementation, where the implementation has been significantly delayed or in the opinion of the management significant uncertainties exist as to the final financial closure and/or date of completion of the project.

b) Commissions paid to direct marketing agents (“DMAs”) for auto loans, is recorded upfront in the profit and loss account net of subvention income received from them.

c) Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.

d) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effected from April 1, 2001 have been accounted as per Accounting Standard 19 on "Accounting for Leases" issued by Institute of Chartered Accountants of India ("ICAI"). Accordingly, leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.

e) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

f) Dividend is accounted on an accrual basis when the right to receive the dividend is established.

g) Fees received as a compensation of future interest sacrifice is amortised over the remaining period of the facility.

h) Arranger's fee is accrued proportionately where more than 75% of the total amount of finance has been arranged.

i) All other fee income is recognised upfront on their becoming due.

j) Income arising from sell down/securitization of loan assets is recognised upfront, net of future servicing cost for assets sold, expected prepayment and projected delinquencies and included in interest income.

k) Guarantee commission is recognised over the period of the guarantee.

2. Investments

Investments are valued in accordance with the extant Reserve Bank of India guidelines on investment classification and valuation as under:

a) All investments are categorised into 'Held to Maturity', 'Available for Sale' and 'Held for Trading. Reclassifications, if any, in any category are accounted for as per Reserve Bank of India guidelines. Under each category, the investments are further classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. A provision is made for other than temporary diminution.

c) 'Available for Sale' and 'Held for Trading' securities are valued periodically as per Reserve Bank of India guidelines. The market/fair value for the purpose of periodical valuation of quoted investments included in the "Available for Sale" and "Held for Trading" categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of Reserve Bank of India or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

d) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition, are charged to revenue.

e) Broken period interest on debt instruments is treated as a revenue item.

f) Investments in subsidiaries/joint ventures are categorised as Held to Maturity in accordance with Reserve Bank of India guidelines.

g) Profit on sale of investments in the 'Held to Maturity' category is credited to the revenue account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

h) At the end of each reporting period, security receipts issued by asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by Reserve Bank of India from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value ("NAV"), obtained from asset reconstruction company from time to time, for valuation of such investments at each reporting year end.

3. Provisions/Write-offs on loans and other credit facilities

a) All credit exposures are classified as per Reserve Bank of India guidelines, into performing and non-performing assets ("NPAs"). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by Reserve Bank of India. Provisions are made on substandard and doubtful assets at rates prescribed by Reserve Bank of India. Loss assets and unsecured portion of doubtful assets are provided/ written off as per the extant Reserve Bank of India guidelines. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

In accordance with Reserve Bank of India guidelines on graded higher provisioning norms for the secured portion of doubtful assets, the Bank makes a 100% provision on the secured portion of assets classified as doubtful for more than three years. Further, as permitted by the said guidelines, assets classified as doubtful for more than three years at March 31, 2004 are fully provided for in a graded manner over three years (i.e. 60% by March 31, 2005, 75% by March 31, 2006 and 100% by March 31, 2007).

b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by Reserve Bank of India, which requires the present value of the interest sacrifice be provided at the time of restructuring.

c) In the case of other than restructured loan accounts classified as NPAs, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subjected to restructuring, asset category is upgraded to standard if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

d) The Bank has incorporated the assets taken over from erstwhile ICICI Limited ("ICICI") in its books at carrying values as appearing in the books of ICICI with a provision made based on a fair valuation exercise carried out by an independent firm. To the extent provisions are required in respect of the assets taken over from ICICI, the provision created on fair valuation of the assets at the time of the amalgamation is used.

e) Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

f) In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision adequately covers the requirements of the Reserve Bank of India guidelines.

g) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4. Transfer and servicing of financial assets

The Bank transfers commercial and consumer loans through securitization transactions. The transferred loans are de-recognised and gains/losses are recorded only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans is measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization.

5. Fixed assets and depreciation

a) Premises and other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged over the estimated useful life of a fixed asset on a "straight line" basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in schedule XIV of the Companies Act, 1956, are as follows:

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc.	10%
Furniture and fixtures	15%
Motor vehicles	20%
Computers	33.33%
EDC Terminals	16.67%
Others (including software and system development expenses)	25%

b) Depreciation on leased assets is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV to the Companies Act, 1956.

c) Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.

d) Items costing less than Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

6. Foreign currency transactions

a) Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction, income and expenditure items of integral foreign operations (representative offices) are translated at weekly average closing rate, and income and expenditure of non integral foreign operations (foreign branches and off-shore banking units) are translated at quarterly average closing rate.

b) Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

c) Both monetary and non-monetary foreign currency assets and liabilities of non integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profits/ losses exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non integral foreign operations

d) Outstanding forward exchange contracts are stated at contracted rates and are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

e) Contingent liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the balance sheet date.

7. Accounting for derivative contracts

The Bank enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of underlying assets and accounted pursuant to the principles of hedge accounting.

Foreign currency and rupee derivatives, which are entered for trading purposes, are marked to market and the resulting gain/loss, (net of provisions, if any) is recorded in the profit and loss account.

8. Employee Stock Option Scheme ("ESOS")

The Bank has formulated an Employees Stock Option Scheme. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method for computing the compensation cost, if any, for all options granted.

9. Staff retirement benefits

For employees covered under group gratuity scheme of Life Insurance Corporation of India ("LIC")/ICICI Prudential Life Insurance Company Limited ("ICICI Prulife"), gratuity charge to profit and loss account is on the basis of premium charged. For employees covered under group superannuation scheme of LIC, the superannuation charged to profit and loss account is on the basis of premium charged by LIC. Provision for gratuity for other employees and leave encashment liability are determined as per actuarial valuation at year-end. Defined contributions for provident fund are charged to the profit and loss account based on contributions made in terms of the scheme.

The Bank provides for pension, a deferred retirement plan, covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan is funded through periodic contributions to a fund set-up by the Bank and administered by a Board of Trustees. Such contributions are actuarially determined.

10. Income taxes

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis and operating carry forward losses. Deferred tax assets are recognised only after giving due consideration to prudence. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgment as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

11. Impairment of assets

Long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

As on March 31, 2005 there were no events or changes in circumstances which indicate any impairment in the carrying value of the assets covered by AS 28.

12. Accounting for contingencies

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financials.

13. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks and money at call and short notice.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Information about business and geographical segments

a) The Bank reports its operations under the following business segments:

- Consumer and Commercial Banking comprising the retail and corporate banking operations of the Bank.
- Investment Banking comprising the treasury of the Bank.

Inter-segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as on March 31, 2005 and March 31, 2004 and segmental profit & loss account for the year ended March 31, 2005 and for the year ended March 31, 2004 have been prepared.

	Consumer and commercial banking		Investment banking		Total	
Particulars	**For the year ended 31.03.2005**	**For the year ended 31.03.2004**	**For the year ended 31.03.2005**	**For the year ended 31.03.2004**	**For the year ended 31.03.2005**	**For the year ended 31.03.2004**
	Rupees in million	**Rupees in million**	**Rupees in million**	**Rupees in million**	**Rupees in million**	**Rupees in million**
Revenue	106,436.9	95,819.3	30,926.2	35,902.8	137,363.1	131,722.1
Less: Inter segment revenue	—	—	—	—	(9,102.7)	(11,049.0)
Total revenue (1)-(2)	—	—	—	—	128,260.4	120,673.1
Operating profit (i.e. Profit before unallocated expenses, and tax)	19,760.7	12,984.2	10,183.3	12,080.1	29,944.0	25,064.3
Unallocated expenses	—	—	—	—	384.0	256.0
Provisions (net)	814.1	5,542.8	3,473.9	243.4	4,288.0	5,786.2
Profit before tax	18,946.6	7,441.4	6,709.4	11,836.7	25,272.0	19,022.1
Income tax expenses (net)/ (net of deferred tax credit)	—	—	—	—	5,220.0	2,651.1
Net profit (7)-(8)	—	—	—	—	20,052.0	16,371.0
Segment assets	1,051,486.3	771,726.4	597,045.1	454,527.0	1,648,531.4	1,226,253.4
Unallocated assets	—	—	—	—	28,062.7	26,035.3
Total assets (10)+(11)	—	—	—	—	1,676,594.1	1,252,288.7
Segment liabilities	1,291,932.4	978,706.4	384,661.7	273,582.3	1,676,594.1	1,252,288.7
Unallocated liabilities	—	—	—	—	—	—
Total liabilities (13)+(14)	—	—	—	—	1,676,594.1	1,252,288.7

The business operations of the Bank are largely concentrated in India. The assets and income from foreign operations are not significant to the overall operations of the Bank and have accordingly not been disclosed.

2. Preference shares

Certain government securities amounting to Rs. 1,952.3 million (March 31, 2004: Rs. 1,455.1 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018, as per the original issue terms.

3. Subordinated debt

Subordinated debt includes index bonds amounting to Rs. 117.1 million (March 31, 2004: Rs. 105.1 million) which carry a detachable warrant entitling bondholders to a right to receive an amount linked to the BSE Sensitive Index ("Sensex") per terms of the issue. During the year the Bank has raised subordinate debt amounting to Rs. 4,500.0 million under private placement bonds issued on February 28, 2005. Details of the same are as follows:

Particulars	Coupon Rate (%)	Tenure	Amount Rupees in millions
Option I	1 Yr INBMK + 60 bps (To be reset six monthly)	5 years and 3 months	2,650.0
Option II	7.00	5 years and 3 months	350.0
Option III	7.10	7 years and 3 months	550.0
Option IV	7.20	10 years and 3 months	950.0
Total			4,500.0

4. Employee Stock Option Scheme ("ESOS")

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank on the date (s) of the grant of options.

In terms of the Scheme, 18,215,335 options (March 31, 2004: 15,964,982 options) granted to eligible employees were outstanding at March 31, 2005.

A summary of the status of the Bank's option plan is given below:

	Year ended March 31, 2005 Option shares outstanding	Year ended March 31, 2004 Option shares outstanding
Outstanding at the beginning of the year	15,964,982	12,610,275
Add: Granted during the year	7,554,500	7,491,800
Less : Forfeited/lapsed during the year	846,496	766,489
Exercised during the year	4,457,651	3,370,604
Outstanding at the end of the year*	18,215,335	15,964,982

* Excludes options exercised but not allowed

5. Early Retirement Option ("ERO")

The Bank had implemented an Early Retirement Option Scheme 2003 for its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

The ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million (March 31, 2004: Rs. 1,910.0 million) are being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2004: Rs. 256.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2005.

6. Deferred Tax

On March 31, 2005, the Bank has recorded net deferred tax asset of Rs. 148.7 million (March 31, 2004: Rs. 4,429.7 million) which has been included in Other Assets. The break-up of deferred tax assets and liabilities into major items is given below:

Particulars	Year ended March 31, 2005	Year ended March 31, 2004
	Rupees in million	
Deferred tax asset		
Provision for bad and doubtful debts	6,990.8	13,434.1
Others	917.2	202.4
	7,908.0	13,636.5
Less: Deferred tax liability		
Depreciation on fixed assets	7,537.7	8,970.6
Others	221.6	236.2
	7,759.3	9,206.8
Net Deferred Tax Asset/(Liability)	148.7	4,429.7

7. Related party transactions

The Bank has transactions with its related parties comprising subsidiaries (including joint ventures), associates (including joint ventures) and key management personnel. The following represents the significant transactions between the Bank and such related parties:

Insurance services

During the year ended March 31, 2005, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 315.4 million (March 31, 2004: Rs. 157.2 million). During the year ended March 31, 2005 the Bank received claims from insurance subsidiaries amounting to Rs. 8.4 million (March 31, 2004: Rs. 85.6 million).

Fees

During the year ended March 31, 2005, the Bank received fees from its insurance joint ventures amounting to Rs. 279.8 million (March 31, 2004: Rs. 65.3 million) and commission of Rs. 5.3 million on account of guarantees and LCs issued for subsidiaries (March 31, 2004: Rs. 1.0 million).

Lease of premises and facilities

During the year ended March 31, 2005, the Bank charged an aggregate amount of Rs. 432.8 million (March 31, 2004: Rs. 361.9 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

Sale of housing loan portfolio

During the year ended March 31, 2005, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 3,059.7 million (March 31, 2004: Rs. 18,317.2 million).

Secondment of employees

During the year ended March 31, 2005, the Bank received Rs. 8.4 million (March 31, 2004: Rs. 14.2 million) from subsidiaries and joint ventures for secondment of employees.

Purchase of investments

During the year ended March 31, 2005, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 32,440.1 million (March 31, 2004: Rs. 49,814.2 million) and from its associate amounting to Rs. 820.0 million (March 31, 2004: Rs. 9,629.6 million).

Sale of investments

During the year ended March 31, 2005, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 22,668.5 million (March 31, 2004: Rs. 3,234.1 million). On the sales made to subsidiaries and joint ventures, the Bank accounted for a loss of Rs. 12.4 million (March 31, 2004: Gain of Rs. 199.2 million).

Redemption/Buyback and Conversion of investments

During the year ended March 31, 2005, certain investments in subsidiaries and joint ventures in preference shares were converted to equity shares amounting to Rs. 250.0 million (March 31, 2004: Rs. Nil). Consideration of Rs. 106.9 million (March 31, 2004: Rs. 197.2 million) was received on account of buyback of equity shares by a subsidiary and a gain amounting to Rs. 67.4 million (March 31, 2004: Rs. 9.8 million) was accounted in the books. Equity units in associates amounting to Rs. 2,362.8 million (March 31, 2004: Rs. 350.0 million) were redeemed during the year and a gain of Rs. 19.8 million (March 31, 2004: Rs. Nil) was accounted on redemption.

Reimbursement of expenses

During the year ended March 31, 2005, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 2,596.0 million (March 31, 2004: Rs. 2,075.7 million).

Brokerage paid

During the year ended March 31, 2005, the Bank paid brokerage to its subsidiary amounting to Rs. 9.1 million (March 31, 2004: Rs. 5.7 million).

Custodial charges received

During the year ended March 31, 2005, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 5.7 million and associates amounting to Rs. 2.2 million (March 31, 2004: Rs. 4.7 million).

Interest paid

During the year ended March 31, 2005, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 255.7 million (March 31, 2004: Rs. 67.9 million) and to its associates amounting to Rs. 1.1 million (March 31, 2004: Rs. 9.5 million).

Interest received

During the year ended March 31, 2005, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 376.7 million (March 31, 2004: Rs. 327.2 million) and from its key management personnel@ Rs. 0.3 million (March 31, 2004: Rs. 0.4 million).

Other Income

At March 31, 2005, the Bank has accounted gain on derivative transactions entered into with subsidiaries and joint ventures amounting to Rs. 462.3 million (March 31, 2004: loss of Rs. 62.4 million).

Dividend received

During the year ended March 31, 2005, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 714.5 million (March 31, 2004: Rs. 1,289.7 million) and from its associates amounting to Rs. 1,221.8 million (March 31, 2004: Rs. Nil).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2005 was Rs. 60.5 million (March 31, 2004: Rs. 58.5 million)

Related party balances

The following balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel are included in the balance sheet as on March 31, 2005:

Items/Related Party	Subsidiaries/ joint ventures	Associates	Key management personnel[(1)]	Total
		Rupees in million		
Deposits with ICICI Bank	6,593.6	0.3	37.1	6,631.0
Deposits of ICICI Bank*	9,798.9	—	—	9,798.9
Call money borrowed	459.2	—	—	459.2
Advances	322.9	—	19.1	342.0
Investments of ICICI Bank	20,734.1	14,470.5	—	35,204.6
Investments of related parties in ICICI Bank	1.6	—	2.3	3.9
Receivables	202.4	—	—	202.4
Payables	885.3	—	—	885.3
Guarantees	4,928.3	—	—	4,928.3
Letter of Comfort	21,318.3	—	—	21,318.3
Swaps/Forward Contracts	118,137.1	—	—	118,137.1

The following balances represent the maximum balance payable to/receivable from subsidiaries/joint ventures/ associates/key management personnel during the year ended March 31, 2005:

Items/Related Party	Subsidiaries/ joint ventures	Associates	Key management personnel(1)	Total
		Rupees in million		
Deposits with ICICI Bank	19,352.2	2,405.5	196.1	21,953.8
Deposits of ICICI Bank*	9,798.9	—	—	9,798.9
Call money borrowed	3,500.0	—	—	3,500.0
Advances	2,435.6	—	19.1	2,454.7
Investments of ICICI Bank	40,204.6	33,399.0	—	73,603.6
Investments of related parties in ICICI Bank	16.6	—	2.3	18.9
Receivables	202.4	—	—	202.4
Payables	1,762.1	—	—	1,762.1
Guarantees	4,928.3	—	—	4,928.3
Letter of Comfort	21,318.3	—	—	21,318.3
Swaps/Forward Contracts	230,905.2	—	—	230,905.2

The following balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel are included in the balance sheet as on March 31, 2004:

Items/Related Party	Subsidiaries/ joint ventures	Associates	Key management personnel(1)	Total
		Rupees in million		
Deposits with ICICI Bank	2,021.2	37.3	23.1	2,081.6
Deposits of ICICI Bank*	131.2	—	—	131.2
Call money borrowed	—	—	—	—
Advances	2,426.0	—	10.2	2,436.2
Investments of ICICI Bank	14,303.6	15,942.5	—	30,246.1
Investments of related parties in ICICI Bank	15.0	—	2.0	17.0
Receivables	315.1	808.0	—	1,123.1
Payables	739.4	0.5	—	739.9
Guarantees	100.0	—	—	100.0
Letter of Comfort	10,291.7	—	—	10,291.7
Swaps/Forward Contracts	155,481.0	—	—	155,481.0

The following balances represent the maximum balance payable to/receivable from subsidiaries/joint ventures/ associates/key management personnel during the year ended March 31, 2004:

Items/Related Party	Subsidiaries/ joint ventures	Associates	Key management personnel(1)	Total
		Rupees in million		
Deposits with ICICI Bank	11,897.6	450.1	94.0	12,441.7
Deposits of ICICI Bank*	2,500.0	—	—	2,500.0
Call money borrowed	5,974.9	—	—	5,974.9
Advances	3,614.7	—	14.8	3,629.5
Investments of ICICI Bank	20,712.5	30,342.1	—	51,054.6
Investments of related parties in ICICI Bank	50.0	—	2.0	52.0
Receivables	2,062.6	808.0	—	2,870.6
Payables	1,061.3	0.5	—	1,061.8
Guarantees	100.0	—	—	100.0
Letter of Comfort	11,341.7	—	—	11,341.7
Swaps/Forward Contracts	165,731.5	—	—	165,731.5

(1) wholetime directors and relatives

* includes call money lent

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Distribution Finance Private Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust and TCW/ICICI Investment Partners L.L.C.

8. Earnings Per Share ("EPS")

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20, "Earnings per Share". Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of earnings per share is given below:

	March 31, 2005	March 31, 2004
	Rupees in million except per share data	
Basic (annualized)		
Weighted average no. of equity shares outstanding	727,728,042	614,157,868
Net profit	20,052.0	16,371.0
Basic earnings per share (Rs.)	27.55	26.66
Diluted (annualized)		
Weighted average no. of equity shares outstanding	733,720,485	619,201,380
Net profit	20,052.0	16,371.0
Diluted earnings per share (Rs.)	27.33	26.44
Nominal value per share (Rs.)	10.00	10.00

The dilutive impact is mainly due to options issued to employees by the Bank.

9. Assets under lease

9.1 Assets under operating lease

The future lease rentals are given below:

Period	March 31, 2005	March 31, 2004
	Rupees in million	
Not later than one year	234.4	229.6
Later than one year and not later than five years	999.5	974.9
Later than five years	311.2	571.0
Total	1,545.1	1,775.5

9.2 Assets under finance lease

The future lease rentals are given below:

Period	March 31, 2005	March 31, 2004
	Rupees in million	
Total of future minimum lease payments	1,105.5	1,792.9
Present value of lease payments	913.6	1,417.8
Unmatured finance charges	191.9	375.1
Maturity profile of total of future minimum lease payments		
Not later than one year	293.3	397.0
Later than one year and not later than five years	804.5	1,255.6
Later than five years	7.7	140.3
Total	1,105.5	1,792.9

Maturity profile of present value of lease payments

Period	March 31, 2005	March 31, 2004
	Rupees in million	
Not later than one year	222.8	276.5
Later than one year and not later than five years	683.3	1,008.7
Later than five years	7.5	132.6
Total	913.6	1,417.8

10. Additional disclosures

The following additional disclosures have been made taking into account Reserve Bank of India guidelines in this regard.

10.1 Capital adequacy ratio

The capital to risk weighted assets ratio (CRAR) as assessed by the Bank on the basis of the attached financial statements and guidelines issued by Reserve Bank of India is given in the table below:

	March 31, 2005	March 31, 2004
	Rupees in million	
Tier I capital*	102,463.2	55,250.9
Tier II capital	56,566.1	38,756.9
Total capital	159,029.3	94,007.8
Total risk weighted assets	1,350,168.1	907,340.2
Capital ratios (percent)		
Tier I	7.59 %	6.09 %
Tier II	4.19 %	4.27 %
Total capital	11.78 %	10.36 %

* Tier I Capital includes the preference shares, which are due for redemption in 2018, as reduced by the amount of corpus created in accordance with Reserve Bank of India guidelines

10.2 Business/information ratios

The business/information ratios for the year ended March 31, 2005 and March 31, 2004 are given in the table below:

		March 31, 2005	March 31, 2004
		Rupees in million	
(i)	Interest income to working funds (percent)	6.94%	7.83%
(ii)	Non-interest income to working funds (percent)	2.52%	2.70%
(iii)	Operating profit to working funds (percent)	2.18%	2.09%
(iv)	Return on assets (percent)	1.59%	1.31%
(v)	Business per employee (average deposits plus average advances) (not annualized for period end)	88.0	101.0
(vi)	Profit per employee	1.1	1.2
(vii)	Net non-performing advances (funded) to net advances (percent)	1.65%	2.21%

For the purpose of computing the above ratios, working funds represent the average of total assets as reported to Reserve Bank of India under section 27 of the Banking Regulation Act, 1949.

10.3 Maturity pattern

a) Rupee denominated assets and liabilities as on March 31, 2005

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2005 is given below:

Maturity buckets	Loans & advances	Investment securities	Deposits	Borrowings
		Rupees in million		
1 to 14 days	59,136.0	76,070.3	49,629.2	561.0
15 to 28 days	4,554.5	20,350.1	26,173.0	6,798.7
29 days to 3 months	39,053.9	48,422.0	125,531.9	6,848.7
3 to 6 months	38,964.9	47,302.7	152,494.5	20,711.1
6 months to 1 year	71,963.6	59,469.5	187,367.2	35,576.9
1 to 3 years	264,250.1	113,827.6	391,052.9	88,710.7
3 to 5 years	81,015.7	22,237.7	9,783.2	18,552.0
Above 5 years	227,896.5	109,861.7	9,268.4	18,230.2
Total	786,835.2	497,541.6	951,300.3	195,989.3

b) Rupee denominated assets and liabilities as on March 31, 2004

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2004 is given below:

Maturity buckets	Loans & advances	Investment securities	Deposits	Borrowings
		Rupees in million		
1 to 14 days	19,489.5	52,498.7	53,572.2	5,689.3
15 to 28 days	4,243.7	27,561.2	16,595.3	6,264.2
29 days to 3 months	11,939.4	32,787.9	72,534.5	6,935.9
3 to 6 months	19,139.5	32,634.2	85,839.2	19,097.4
6 months to 1 year	74,568.2	41,563.7	107,581.2	32,956.4
1 to 3 years	170,886.0	117,415.4	294,475.0	102,112.9
3 to 5 years	87,005.4	22,746.1	19,556.9	22,224.5
Above 5 years	173,744.3	107,148.0	7,897.7	24,741.6
Total	561,016.0	434,355.2	658,052.0	220,022.2

c) Forex denominated assets and liabilities as on March 31, 2005

The maturity pattern of forex denominated assets and liabilities as on March 31, 2005 is given below:

Maturity buckets	Loans & advances	Investment securities	Deposits	Borrowings	Balances with banks and money at call and short notice
			Rupees in million		
1 to 14 days	1,382.3	213.1	4,633.0	3,447.0	20,666.0
15 to 28 days	3,514.6	53.0	6,510.8	5,512.8	3,040.3
29 days to 3 months	26,655.8	329.0	7,438.1	24,415.8	4,177.6
3 to 6 months	11,355.6	—	6,748.4	11,780.3	6,496.1
6 months to 1 year	12,124.6	962.4	8,040.3	21,409.9	743.7
1 to 3 years	30,032.0	159.2	7,773.8	22,432.7	—
3 to 5 years	13,508.8	5,380.7	5,304.3	34,771.6	436.8
Above 5 years	28,642.6	234.5	438.8	15,685.6	—
Total	127,216.3	7,331.9	46,887.5	139,455.7	35,560.5

d) Forex denominated assets and liabilities as on March 31, 2004

The maturity pattern of forex denominated assets and liabilities as on March 31, 2004 is given below:

Maturity buckets	Loans & advances	Balances with banks and money at call and short notice	Deposits	Borrowings
		Rupees in million		
1 to 14 days	190.7	11,584.7	1,732.0	1,540.6
15 to 28 days	404.0	1,862.4	543.7	3,668.8
29 days to 3 months	2,091.2	2,535.6	1,623.1	6,664.2
3 to 6 months	1,810.0	993.4	3,655.5	8,007.3
6 months to 1 year	12,969.6	—	5,131.6	11,519.3
1 to 3 years	15,350.3	—	7,114.4	15,488.4
3 to 5 years	9,623.9	—	1,663.5	22,985.5
Above 5 years	23,020.6	—	1,570.0	17,506.0
Total	65,460.3	16,976.1	23,033.8	87,380.1

Notes

- In compiling the information of maturity pattern (refer 10.3 (a), 10.3 (b), 10.3 (c), 10.3 (d) above), certain estimates and assumptions have been made by the management.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

10.4 Advances

(i) Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market, real estate and commodities. The net position of lending to sensitive sectors is given in the table below:

	March 31, 2005	March 31, 2004
	Rupees in million	
Capital market sector*	6,683.6	5,932.2
Real estate sector	43,497.0	25,172.3
Commodities sector	10,061.0	1,032.0

* represents loans to NBFCs, brokers and individuals against pledge of shares and includes an amount of Rs. 141.0 million as on March 31, 2005 (March 31, 2004: Rs. 3,026.5 million) pertaining to guarantee issued to a corporate for the issue of non-convertible debentures, the proceeds of which have been utilised for acquisition of shares by the corporate

(ii) Movement of gross non-performing advances during the year

	April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
	Rupees in million	
Opening Balance	30,475.9	50,273.8
Add: Additions during the year**	11,157.9	7,773.4
	41,633.8	58,047.2
Less: Reductions during the year	(13,929.5)	(27,571.3)
Closing Balance*	27,704.3	30,475.9

* includes suspended interest and claims received from ECGC/DICGC of Rs. 283.7 million (March 31, 2004: Rs. 501.8 million) on working capital loan.

** excludes cases added to and deleted from NPAs in the same year amounting to Rs. 13,759.9 million (March 31, 2004: Rs. 6,853.7 million).

(iii) Provision for non-performing advances

	April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
	Rupees in million	
Opening Balance*	16,250.1	22,036.1
Add: Provisions made during the year (including utilization of fair value provisions)	18,002.1	7,318.1
	34,252.2	29,354.2
Less: write-offs/recovery	(21,883.7)	(13,104.1)
Closing Balance*	12,368.5	16,250.1

* excludes technical write-off amounting to Rs. 15,763.6 million (March 31, 2004: Rs. 23,696.2 million).

(iv) Financial assets transferred during the year to Securitisation Company (SC)/Reconstruction Company (RC)

The Bank has transferred certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by Reserve Bank of India governing such transfer. For the purpose of the valuation of the underlying security receipts issued by ARC, for the year ended March 31, 2004 NAV is taken at acquisition cost since ARC had not intimated the NAV and the transfers had been effected close to the year end. For the year ended March 31, 2005, the security receipts were valued at their respective NAVs as advised by the ARC. The details of the assets transferred for the relevant year are given in the table below:

		April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
		Rupees in million	
A.	No. of accounts	82	54
B.	Aggregate value (net of provisions) of accounts sold to SC/RC	13,279.3	12,506.2
C.	Aggregate consideration	10,862.3	12,439.5
D.	Additional consideration realised in respect of accounts transferred in earlier years	—	—
E.	Aggregate gain/(loss) over net sale value	(2,417.0)	(66.7)

10.5 Information in respect of restructured assets

The Bank has restructured borrower accounts in standard, sub-standard and doubtful category. The gross amounts (net of write off) of restructuring during the year in respect of these accounts are given below:

	April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
	Rupees in million	
Standard assets subjected to restructuring	15,745.2	49,469.4
Sub-standard assets subjected to restructuring	558.7	1,409.0
Doubtful assets subjected to restructuring	182.5	783.4
Total amount	16,486.4	51,661.8

Above table includes accounts restructured under the Corporate Debt Restructuring (CDR) scheme during the year, other than cases that were restructured and disclosed in earlier years by the Bank and subsequently were referred to and admitted under the CDR scheme during the current year.

	April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
	Rupees in million	
Standard assets subjected to CDR	17,501.4	53,761.9
Sub-standard assets subjected to CDR	558.7	823.0
Doubtful assets subjected to CDR	—	—
Total amount	18,060.1	54,584.9

Above details exclude cases that were approved by CDR Forum and disclosed in the earlier years by the Bank and in which certain terms and conditions have been modified by CDR Forum during the current year.

10.6 Investments

	March 31, 2005		March 31, 2004	
	In India	Outside India	In India	Outside India
	Rupees in million			
Gross value	496,627.7	15,124.3	441,233.8	3,674.1
Less: Provision for depreciation and fair value provision	6,869.5	9.0	10,488.3	64.4
Net value	489,758.2	15,115.3	430,745.5	3,609.7

Provision for depreciation on investments

	April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
	Rupees in million	
Opening balance	10,470.8	15,212.4
Add : Provision made during the period (including utilization of fair value provision)	(949.1)	(4,741.6)
Less : Transfer from investment fluctuation reserve	—	—
Add : Write-off during the period	(3,442.6)	—
Closing balance	6,079.1	10,470.8

10.7 Investments in equity shares and equity like instruments

	March 31, 2005	March 31, 2004
	Rupees in million	
Equity shares*	9,231.4	7,185.8
Convertible debentures	585.0	614.4
Units of equity oriented mutual funds	252.7	202.7
Investment in venture capital funds	11,761.6	11,606.6
Others (loans against collateral, advances to brokers)**	6,683.6	5,932.2
Total	28,514.3	25,541.7

* Includes advance application money pending allotment of Rs. 821.3 million (March 31, 2004: Rs. 565.7 million)

** Includes unutilized limits sanctioned to brokers of Rs. 3,495.2 million (March 31, 2004: Rs. 761.1 million)

10.8 Investment in non-SLR securities

i) Issuer composition of non-SLR investments

a) The issuer composition of non-SLR investments of the Bank as on March 31, 2005 is given below:

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
			Rupees in million			
			(a)	(b)	(c)	(d)
1	PSUs	6,250.0	4,620.5	—	20.5	2,933.6
2	FIs	3,264.3	342.3	—	101.3	101.3
3	Banks	4,684.5	2,419.8	—	—	53.1
4	Private corporate	45,210.8	30,553.2	200.0	31,362.1	29,677.4
5	Subsidiaries/Joint ventures	20,667.0	2,661.3	—	150.0	150.0
6	Others	86,856.3	27,821.3	23,359.0	0.3	—
7	Provision held towards depreciation	(6,877.5)	—	—	—	—
	Total	160,055.4	68,418.4	23,559.0	31,634.2	32,915.4

Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive

* This excludes investments, amounting to Rs. 2,551.3 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada and Rs. 7,189.6 million invested by overseas branches/ offshore banking unit.

b) The issuer composition of non-SLR investments of the Bank as on March 31, 2004 is given below:

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
			Rupees in million			
			(a)	(b)	(c)	(d)
1	PSUs	8,447.3	6,558.0	146.4	328.9	6,161.4
2	FIs	9,355.6	4,454.8	—	101.3	5,424.5
3	Banks	1,504.1	90.0	—	—	342.3
4	Private corporate	68,123.5	50,359.2	200.0	50,394.2	50,558.5
5	Subsidiaries/Joint ventures	14,236.5	724.1	—	400.0	400.0
6	Others	44,062.8	12,558.5	12,508.2	240.9	—
7	Provision held towards depreciation	(10,552.6)	—	—	—	—
	Total	135,177.2	74,744.6	12,854.6	51,465.3	62,886.7

Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive

* This excludes investments, amounting to Rs. 324.1 million, in preference shares of subsidiaries, namely ICICI Bank Canada and Rs. 132.9 million invested by overseas branches/offshore banking unit.

ii) Non performing non-SLR investments

The non performing non-SLR investments of the Bank as on March 31, 2005 is given below:

Particulars	Amount Rupees in million
Opening balance	12,334.7
Additions during the year	1,570.3
Reductions during the year	5,027.3
Closing balance	8,877.3
Total provisions held	3,166.7

iii) Non performing non-SLR investments

The non performing non-SLR investments of the Bank as on March 31, 2004 is given below:

Particulars	Amount Rupees in million
Opening balance	10,749.3
Additions during the year	6,086.3
Reductions during the year	4,501.3
Closing balance	12,334.7
Total provisions held	5,409.6

10.9 Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2005 are given below:

	Minimum outstanding balance during the period	Maximum outstanding balance during the period	Daily average outstanding balance during the period	Balance as on March 31, 2005
		Rupees in million		
Securities sold under repurchase transaction	—	34,842.0	9,683.6	13,076.3
Securities purchased under reverse repurchase transaction	—	14,520.0	586.7	—

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2004 are given below:

	Minimum outstanding balance during the year	Maximum outstanding balance during the year	Daily average outstanding balance during the year	Balance as on March 31, 2004
		Rupees in million		
Securities sold under repurchase transaction	—	25,519.0	6,416.3	—
Securities purchased under reverse repurchase transaction	—	5,850.0	858.8	2,431.8

10.10 Credit exposure

As at March 31, 2005 the Bank has taken single borrower exposure above 15% with the approval of the Board of Directors in the following cases:

Name of Borrower	March 31, 2005 % to capital funds
Borrower A	19.50%
Borrower B	17.46%
Borrower C	16.73%
Borrower D	16.20%

10.11 Risk category-wise country-wise exposure

As per the extant Reserve Bank of India guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. Since the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposures.

Risk category	Exposure (net) as on March 31, 2005	Exposure (net) as on March 31, 2004
	Rupees in million	
Insignificant	54,349.8	62,651.1
Low	11,408.4	2,217.7
Moderate	4,592.1	1,735.4
High	—	8.6
Very High	—	—
Off-Credit	656.2	—
Total	71,006.5	66,612.8
—of which funded	38,885.7	46,950.6

10.12 Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts as at March 31, 2005 is Rs. 51.10 billion for hedging contracts (March 31, 2004: Rs. 34.15 billion) and Rs. 1,114.30 billion for trading contracts (March 31, 2004: Rs. 947.83 billion).

The fair value represents the estimated replacement cost of swap contracts as at balance sheet date. At March 31, 2005 the fair value of trading rupee interest rate swap contracts is Rs. 0.33 billion (March 31, 2004: Rs. 0.67 billion).

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfill their contractual obligations. As at March 31, 2005, the associated credit risk on trading rupee interest rate swap contracts is Rs. 9.87 billion (March 31, 2004: Rs. 8.96 billion).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points rise in the interest rates. As at March 31, 2005 the market risk on trading rupee interest rate swap contracts amounts to Rs. 0.14 billion (March 31, 2004: Rs. 0.06 billion).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter party. As at March 31, 2005 there is a credit risk concentration of Rs. 0.27 billion (March 31, 2004: Rs. 0.68 billion) under rupee interest rate swap contracts, with ICICI Securities Ltd. As per the prevailing market practice, the Bank does not insist on collateral from the counter parties of these contracts.

10.13 Rupee and foreign currency derivatives

ICICI Bank is a leading participant in the financial derivatives market. The Bank deals in derivatives for balance sheet management and market making purposes whereby the Bank offers derivative products to its customers, enabling them to hedge their risks.

Dealing in derivatives is centralised in the treasury of the Bank. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

The market making and the proprietary trading activities in derivatives are governed by the investment policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. The Risk Management Group (RMG) lays down the methodology for computation and monitoring of risk. Risk Committee of the Board (RCB) reviews the Bank's risk management policy in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy and regulatory and compliance issues in relation thereto. The RCB comprises of independent as well as whole time directors.

Risk monitoring on derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using Value at Risk (VAR) approach and the relevant greeks for options. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the VAR of the derivatives portfolio is reported on a daily basis.

The use of derivatives for hedging purpose is governed by the hedge policy approved by Asset Liability Management Committee (ALCO). Subject to prevailing Reserve Bank of India guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The Bank uses different methodologies for measuring the hedge effectiveness such as duration and price value of basis point (PVBP). The effectiveness is assessed at the time of inception of the hedge and periodically thereafter.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the profit and loss account. Premia on options are accounted for at the expiry of the options. The Bank makes provisions on the outstanding positions in trading derivatives for possible adverse movements in underlying. Derivative transactions are covered under ISDA master agreements with the respective counter parties. The credit exposure on account of derivative transactions is computed as per Reserve Bank of India guidelines and is marked against the credit limits approved for the respective counter parties.

Sr. No.	Particular	March 31, 2005 Currency derivatives*	Interest rate derivatives
		(Rupees in millions)	
1	Derivatives (Notional principal amount)		
	a) For hedging	8,083.1	106,428.6
	b) For trading	274,325.6	1,335,689.1
2	Marked to market positions		
	a) Asset (+)	442.0	564.7
	b) Liability (-)	—	—
3	Credit exposure	9,373.9	18,124.4
4	Likely impact of one percentage change in interest rate (100*PV01)**		
	a) on hedging derivatives ***	(79.4)	(22.1)
	b) on trading derivatives	880.7	(534.5)
5	Maximum and minimum of 100*PV01 observed during the year**		
	a) on hedging***		
	Maximum	(38.2)	2.8
	Minimum	(101.5)	(1,675.1)
	b) on trading		
	Maximum	1,280.6	180.8
	Minimum	156.6	(1,081.3)

* Foreign currency IRS & FRAs are included in Interest Rate Derivatives

** Impact of one percent increase in interest rates

*** The swap contracts entered for hedging purpose have an opposite and offsetting impact with the underlying on-balance sheet items.

Effective April 1, 2004, the Bank has accounted for the unrealised gain on rupee interest rate derivatives (net of provisions, if any) as compared to its earlier policy of ignoring such unrealised gains. As a result the profit after tax for the current year is higher by Rs. 296.3 million.

11. Investments in jointly controlled entities

Investments include Rs. 83.8 million (March 2004: Rs. 6,690.1 million) representing the Bank's interests in the following jointly controlled entities:

Sr. No.	Name of Company	Country/ residence	Percentage holding*
1	Prudential ICICI Asset Management Company Limited	India	44.99%*
2	Prudential ICICI Trust Limited	India	44.80%*

* indicates holding by ICICI Bank Limited along with its subsidiaries

The aggregate amounts of assets and liabilities as on March 31, 2005 and income and expenses for the year then ended relating to the Bank's interests in the above entities are given below:

Liabilities	Amount	Assets	Amount
	Rupees in million		Rupees in million
Capital and Reserves	346.4	Cash and bank balances	1.5
Other liabilities	179.0	Investments	356.3
		Fixed assets	38.0
		Other assets	129.6
Total	525.4	Total	525.4

Expenses	Amount	Income	Amount
	Rupees in million		Rupees in million
Interest expenses	—	Interest income	0.1
Other expenses	341.5	Other income	460.7
Provisions	41.6		
Total	383.1	Total	460.8

The aggregate amounts of assets and liabilities as on March 31, 2004 and income and expenses for the year then ended relating to the Bank's interests in the above entities are given below:

Liabilities	Amount	Liabilities	Amount
	Rupees in million		Rupees in million
Capital and Reserves	3,739.5	Cash and bank balances	847.3
Other liabilities	3,633.6	Investments	15,126.4
Liabilities on life policies in force	10,610.5	Fixed assets	502.4
		Other assets	1,507.5
Total	17,983.6	Total	17,983.6

Expenses	Amount	Income	Amount
	Rupees in million		Rupees in million
Interest expenses	2.2	Interest income	405.3
Other expenses		Other income	
—Premium ceded and change in liability for life policies in force	4,888.2	Insurance premium/commission	11,176.0
Others	8,662.5	Others	824.2
Provisions	135.2		
Total	13,688.1	Total	12,405.5

12. Provision for non-performing assets

In its memorandum dated DBOD.BP.BC 99/21.04.048/2003-2004 dated June 21, 2004 Reserve Bank of India has introduced graded higher provisioning norms which would require a bank to make 100% provision on the secured portion of doubtful assets outstanding for more than three years in doubtful category instead of the earlier requirement of 50% provision. However, Reserve Bank of India has allowed banks to make 100% provision on the existing assets which are in doubtful category for more than three years as on March 31, 2004, until March 31, 2007 in a graded manner (i.e. 60% as on March 31, 2005, 75% as on March 31, 2006 and 100% as on March 31, 2007). Accordingly the Bank has adopted the revised Reserve Bank of India guidelines.

The impact of the adoption of the revised guidelines on the profit and loss account is not significant.

13. Subvention income

Effective April 1, 2004 the commissions paid to direct marketing agents (DMAs) of auto loans, net of subvention income received from them, is recorded upfront in the profit and loss account. For disbursements made until March 31, 2004, the gross commissions paid to direct marketing agents (DMAs) of auto loans were recorded upfront in the profit and loss account and subvention income received from them is being amortised over the life of the loan. The impact of the change is not significant.

14. Transfer of investments from AFS to HTM category

During the year ended March 31, 2005, the Bank has transferred investments amounting to Rs. 213,489.4 million from Available for Sale category to Held to Maturity category in accordance with Reserve Bank of India memorandum: DBOD.No.BP.BC.37/21.04.141/2004-05 dated September 2, 2004. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs. 1,828.2 million has been provided for in the profit and loss account.

15. Others

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 244.7 million (March 31, 2004: Rs. 577.8 million), which arises on account of rupee-tying agreements with the government of India, is held in "Exchange Fluctuation Suspense with Government Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

b. Swap suspense (net)

Swap suspense (net) aggregating Rs. 794.7 million (debit) (March 31, 2004: Rs. 677.0 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap suspense account" and will be reversed at conclusion of swap transactions with swap counter parties.

16. Comparative figures

Figures of the previous year have been regrouped to conform to the current year's presentation.

SIGNATURES TO SCHEDULES 1 TO 18

For and on behalf of the Board of Directors

N. Vaghul Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
Kalpana Morparia Deputy Managing Director	**Nachiket Mor** Executive Director	**Chanda D. Kochhar** Executive Director
N. S. Kannan Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**G. Venkatakrishnan** General Manager—Accounting and Taxation Group

Place: Mumbai
Date: April 30, 2005

Auditors' Report to the Members of ICICI Bank Ltd.

1. We have audited the attached balance sheet of ICICI Bank Ltd. (the "Bank") as at March 31, 2004 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. Incorporated in the said financial statements is the return of one foreign branch audited by another firm of independent accountants.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
4. We report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   (b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;
   (c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the foreign branch not visited by us. The audited returns of the foreign branch has been forwarded to us and has been appropriately dealt with;
   (d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   (e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, insofar as they apply to the Bank;
   (f) On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in case of the balance sheet, of the state of the affairs of the Bank as at March 31, 2004;
      ii. in case of the profit and loss account, of the profit for the year ended on that date; and
      iii. in case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

Per Viren H. Mehta
a Partner
Membership No.: 048749

April 30, 2004

Balance Sheet as on March 31, 2004

	Schedule	As on 31.03.2004 Rupees in '000s	As on 31.03.2003 Rupees in '000s
CAPITAL AND LIABILITIES			
Capital	1	9,664,012	9,626,600
Reserves and Surplus	2	73,941,561	63,206,538
Deposits	3	681,085,845	481,693,063
Borrowings	4	307,402,393	343,024,203
Other liabilities and provisions	5	180,194,930	170,569,258
TOTAL		1,252,288,741	1,068,119,662
ASSETS			
Cash and balance with Reserve Bank of India	6	54,079,966	48,861,445
Balances with banks and money at call and short notice	7	30,626,378	16,028,581
Investments	8	427,428,614	354,623,002
Advances	9	620,955,196	532,794,144
Fixed Assets	10	40,564,141	40,607,274
Other Assets	11	78,634,446	75,205,216
TOTAL		1,252,288,741	1,068,119,662
Contingent liabilities	12	2,029,419,027	894,385,070
Bills for collection		15,109,352	13,367,843
Significant Accounting Policies and Notes to Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co
Chartered Accountants

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

per Viren H. Mehta
a Partner

Kalpana Morparia
Deputy Managing Director

Nachiket Mor
Executive Director

Chanda D. Kochhar
Executive Director

N. S. Kannan
Chief Financial Officer & Treasurer

Jyotin Mehta
General Manager & Company Secretary

G. Venkatakrishnan
General Manager—Accounting and Taxation Group

Place: Mumbai
Date: April 30, 2004

Profit and Loss Account for the year ended March 31, 2004

	Schedule	Year ended 31.03.2004	Year ended 31.03.2003
		Rupees in '000s	
INCOME			
Interest earned	13	88,940,406	93,680,561
Other income	14	30,649,228	19,677,741
Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited			11,910,517
TOTAL		119,589,634	125,268,819
EXPENDITURE			
Interest expended	15	70,152,492	79,439,989
Operating expenses	16	25,712,325	20,116,900
Provisions and contingencies	17	7,353,754	13,650,139
TOTAL		103,218,571	113,207,028
PROFIT/LOSS			
Net profit for the period/year		16,371,063	12,061,791
Profit brought forward		50,520	195,614
TOTAL		16,421,583	12,257,405
APPROPRIATIONS/TRANSFERS			
Statutory Reserve		4,093,000	3,020,000
Transfer from Debenture Redemption Reserve		—	(100,000)
Capital Reserve		2,650,000	2,000,000
Investment Fluctuation Reserve		2,760,000	1,000,000
Special Reserve		250,000	500,000
Revenue and other Reserves		—	600,000
Proposed equity share Dividend		5,440,592	4,597,758
Proposed preference share Dividend		35	35
Corporate dividend tax		697,080	589,092
Balance carried over to Balance Sheet		530,876	50,520
TOTAL		16,421,583	12,257,405
Significant Accounting Policies and Notes to Accounts	18		
Earning per Share (Refer note B. 8)			
Basic (Rs.)		26.66	19.68
Diluted (Rs.)		26.44	19.65

The Schedules referred to above form an integral part of the profit and loss account.

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co Chartered Accountants	**N. Vaghul** Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
per Viren H. Mehta a Partner	**Kalpana Morparia** Deputy Managing Director	**Nachiket Mor** Executive Director	**Chanda D. Kochhar** Executive Director
	N. S. Kannan Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**G. Venkatakrishnan** General Manager— Accounting and Taxation Group

Place: Mumbai
Date: April 30, 2004

Schedules forming part of the balance sheet

SCHEDULE 1—CAPITAL

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Authorised Capital		
1,550,000,000 equity shares of Rs. 10 each (March 31, 2003: 1,550,000,000 equity shares of Rs. 10 each)	15,500,000	15,500,000
350 preference shares of Rs. 10 million each	3,500,000	3,500,000
Issued, Subscribed and Paid-up Capital 613,021,301 (March 31, 2003: 613,031,404) equity shares of Rs. 10 each(1)	6,130,213	6,130,314
Less: Calls unpaid		(3,744)
Add: Forfeited 13,103 (March 31, 2003: Nil) equity shares	93	—
Add: Issued 3,370,604 (March 31, 2003: 3,000) equity shares of Rs. 10 each on exercise of employee stock options	33,706	30
TOTAL	6,164,012	6,126,600
Preference Share Capital(2)		
(Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018)	3,500,000	3,500,000
TOTAL	9,664,012	9,626,600

(1) Includes :-
   - (a) 31,818,180 underlying equity shares consequent to the ADS issue
   - (b) 23,539,800 equity shares issued to the equity share holders of Bank of Madura Limited on amalgamation
   - (c) 264,465,582 equity shares issued to the equity share holders (excluding ADS holders) of ICICI Limited on amalgamation
   - (d) 128,207,142 underlying equity shares issued to the ADS holders of ICICI Limited on amalgamation

(2) The notification from Ministry of Finance has currently exempted the Bank from the restriction of section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 2—RESERVES AND SURPLUS

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Statutory reserve		
Opening balance	5,514,307	2,494,307
Additions during the year	4,093,000	3,020,000
Deductions during the year	—	—
Closing balance	9,607,307	5,514,307
Debenture redemption reserve		
Opening balance	—	100,000
Additions during the year	—	—
Deductions during the year	—	100,000
Closing balance	—	—
Special reserve		
Opening balance	11,440,000	10,940,000
Additions during the year	250,000	500,000
Deductions during the year	—	—
Closing balance	11,690,000	11,440,000
Share premium		
Opening balance*	8,045,721	8,021,352
Additions during the year (on exercise of employee stock options)	477,583	285
Deductions during the year	—	—
Closing balance	8,523,304	8,021,637
Investment fluctuation reserve		
Opening balance	1,273,350	273,350
Additions during the year	6,030,000	1,000,000
Deductions during the year	—	—
Closing balance	7,303,350	1,273,350
Capital reserve		
Opening balance	2,000,000	—
Additions during the year	2,650,000	2,000,000
Deductions during the year	—	—
Closing balance	4,650,000	2,000,000
Revenue and other reserves		
Opening balance	34,906,724	34,306,724
Additions during the year	—	600,000
Deductions during the year	3,270,000	—
Closing balance	31,636,724	34,906,724
Balance in profit and loss account	530,876	50,520
TOTAL	73,941,561	63,206,538

* Net of Share Premium in arrears Rs. Nil (March 31, 2003 Rs. 24.1 million)

SCHEDULE 3—DEPOSITS

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Demand deposits		
From banks	1,345,603	919,592
From others	71,244,990	35,974,853
Savings bank deposits	83,720,260	37,932,081
Term deposits		
From banks	50,418,828	53,585,875
From others	474,356,164	353,280,662
TOTAL	681,085,845	481,693,063
Deposits of branches in India	670,287,519	481,693,063
Deposits of branches outside India	10,798,326	—
TOTAL	681,085,845	481,693,063

SCHEDULE 4—BORROWINGS

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Borrowings in India		
Reserve Bank of India	—	—
Other banks	16,568,829	24,469,090
Other institutions and agencies		
Government of India	4,411,459	5,210,408
Financial Institutions	40,531,000	25,658,489
Borrowings in the form of		
Deposits taken over from erstwhile ICICI Limited	3,098,362	5,062,808
Commercial paper	—	—
Bonds and debentures (excluding subordinated debt)		
Debentures and bonds guaranteed by the government of India	14,815,000	14,815,000
Tax free bonds	—	800,000
Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement	48,150,574	91,339,109
Bonds issued under multiple option/safety bonds series		
—Regular interest bonds	10,953,604	16,722,052
—Deep discount bonds	4,069,486	6,098,808
—Bonds with premium warrants	685,670	588,947
—Encash bonds	1,431,105	1,892,690
—Tax saving bonds	84,889,030	80,125,313
—Easy installment bonds	—	31,337
—Pension bonds	56,896	54,469
Application money pending allotment	—	11,238,896
Borrowings outside India		
From multilateral/bilateral credit agencies (guaranteed by the government of India equivalent of Rs. 19,794.3 million)	24,403,563	25,417,795
From international banks, institutions and consortiums	35,111,989	27,947,996
By way of bonds and notes	18,225,826	5,550,996
TOTAL	307,402,393	343,024,203

Secured borrowings in I and II above is Rs. NIL

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Bills payable	16,852,843	10,305,536
Inter-office adjustments (net)	3,419,337	—
Interest accrued	13,561,305	16,191,657
Unsecured Redeemable Debentures/Bonds (Subordinated for Tier II Capital)	91,058,612	97,495,259
Others		
Security deposits from clients	9,510,841	3,540,625
Sundry creditors	24,970,428	15,411,986
Received for disbursements under special program	2,730,091	2,548,454
Other Liabilities (including provisions)*	18,091,473	25,075,741
TOTAL	180,194,930	170,569,258

* Includes:
(a) Proposed dividend Rs. 5,439.9 million (March 31, 2003 Rs. 4,597.8 million)
(b) Corporate dividend Tax payable Rs. 697.0 million (March 31, 2003 Rs. 589.1 million)
(c) Provision for standard assets Rs. 3,828.1 million (March 31, 2003 Rs. 3,078.1 million)

SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Cash in hand (including foreign currency notes)	4,467,734	3,364,709
Balances with Reserve Bank of India in current accounts	49,612,232	45,496,736
TOTAL	54,079,966	48,861,445

SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
In India		
Balances with banks		
in Current Accounts	3,411,303	2,150,990
in Other Deposit Accounts	10,238,969	5,954,857
Money at call and short notice		
with banks	—	1,925,000
with other institutions	—	3,227,500
TOTAL	13,650,272	13,258,347
Outside India		
in Current Accounts	2,877,153	910,655
in Other Deposit Accounts	9,948,286	637,790
Money at call and short notice	4,150,667	1,221,789
TOTAL	16,976,106	2,770,234
GRAND TOTAL (I + II)	30,626,378	16,028,581

SCHEDULE 8—INVESTMENTS (net of provisions)

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Investments in India		
Government securities	298,876,781	255,485,754
Other approved securities	301,155	344,477
Shares	16,842,660	16,424,107
Debentures and Bonds	55,490,989	56,899,185
Subsidiaries and/or joint ventures	11,037,612	7,806,824
Others (CPs, Mutual Fund Units, Pass through Certificates, Security Receipts etc.)	41,269,706	17,576,975
TOTAL	423,818,903	354,537,322
Investments outside India		
Government securities	132,924	—
Subsidiaries and/or joint ventures abroad	3,198,926	14,488
Others	277,861	71,192
TOTAL	3,609,711	85,680
GRAND TOTAL (I + II)	427,428,614	354,623,002

SCHEDULE 9—ADVANCES (net of provisions)

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Bills purchased and discounted	12,308,603	4,376,415
Cash credits, overdrafts and loans repayable on demand	60,978,735	31,340,244
Term loans	534,286,332	489,028,169
Securitization, Finance lease and Hire Purchase receivables	13,381,526	8,049,316
TOTAL	620,955,196	532,794,144
Secured by tangible assets (includes advances against Book Debt)	568,010,325	500,684,919
Covered by Bank/Government Guarantees	6,154,561	16,998,486
Unsecured	46,790,310	15,110,739
TOTAL	620,955,196	532,794,144
Advances in India		
Priority Sector	145,307,396	89,376,024
Public Sector	7,071,294	18,974,073
Banks	433,504	1,013,245
Others	457,505,090	422,894,675
TOTAL	610,317,284	532,258,017
Advances outside India		
Due from banks	—	—
Due from others		
Bills purchased and discounted	5,958,406	—
Syndicated loans	1,962,537	—
Others	2,716,969	536,127
TOTAL	10,637,912	536,127
GRAND TOTAL (C. I and II)	620,955,196	532,794,144

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 10—FIXED ASSETS

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Premises		
At cost as on 31st March of preceding year	16,061,840	14,431,673
Additions during the year	939,989	*3,683,243
Deductions during the year	(332,847)	*(2,053,076)
Depreciation to date	(1,020,673)	(659,371)
Net block	15,648,309	15,402,469
Other fixed assets (including furniture and fixtures)		
At cost as on 31st March of preceding year	10,612,849	7,133,585
Additions during the year	3,121,078	**3,779,516
Deductions during the year	(146,146)	**(300,252)
Depreciation to date	(5,303,877)	(3,109,580)
Net block	8,283,904	7,503,269
Assets given on Lease		
At cost as on 31st March of preceding year	21,455,141	**23,377,605
Additions during the year	777,257	343,565
Deductions during the year	(1,587,161)	(2,266,029)
Depreciation to date, accumulated lease adjustment and provisions	(4,013,309)	(3,753,605)
Net block	16,631,928	17,701,536
TOTAL	40,564,141	40,607,274

* Includes adjustment amounting to Rs. 1,614.9 million on account of transfer to non banking assets in Schedule 11

** Includes repossessed Leased Asset Rs. 96.0 million

Schedules forming part of the balance sheet—(Continued)

SCHEDULE 11—OTHER ASSETS

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Inter-office adjustments (net)	—	1,034,655
Interest accrued	15,552,120	19,582,564
Tax paid in advance/tax deducted at source (net)	19,951,503	14,140,278
Stationery and Stamps	3,600	8,084
Non-banking assets acquired in satisfaction of claims*	5,047,938	4,538,354
Others		
Advance for capital assets	939,922	1,562,088
Outstanding fees and other Income	1,484,556	1,776,206
Exchange fluctuation suspense with government of India	577,818	923,573
Swap suspense	677,012	128,667
Recoverable from subsidiary companies	161,296	182,276
Others**	34,238,681	31,328,471
TOTAL	78,634,446	75,205,216

* Includes:

a. Assets amounting to Rs. Nil (March 31, 2003 Rs. 1,614.9 million) transferred from premises in Schedule 10

b. Certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Banks' name

c. Repossessed leased assets amounting to Rs. Nil (March 31, 2003 Rs. Nil)

** Includes:

a. Net Deferred Tax Asset of Rs. 4,429.7 million (March 31, 2003 Rs. 4,888.3 million)

b. Unamortised costs on account of the early retirement option scheme offered to the employees of the bank of Rs. 1,654.0 million (March 31, 2003 Rs. Nil)

SCHEDULE 12—CONTINGENT LIABILITIES

	As on 31.03.2004	As on 31.03.2003
	Rupees in '000s	
Claims against the Bank not acknowledged as debts	25,017,852	20,251,450
Liability for partly paid investments	1,241,429	1,804,936
Liability on account of outstanding forward exchange contracts	557,043,848	251,030,498
Guarantees given on behalf of constituents		
In India	113,855,978	106,120,760
Outside India	6,433,971	227,521
Acceptances, endorsements and other obligations	65,141,996	43,251,942
Currency Swaps	44,484,809	29,013,220
Interest Rate Swaps & Currency options	1,177,640,840	413,544,698
Other items for which the Bank is contingently liable	38,558,304	29,140,045
TOTAL	2,029,419,027	894,385,070

Schedules forming part of the profit and loss account

SCHEDULE 13—INTEREST EARNED

	Year ended 31.03.2004	Year ended 31.03.2003
	Rupees in '000s	
Interest/discount on advances/bills	60,738,528	60,162,439
Income on investments	24,317,401	29,104,415
Interest on balances with Reserve Bank of India and other inter-bank funds	2,106,345	2,355,668
Others*	1,778,132	2,058,039
TOTAL	88,940,406	93,680,561

* Includes interest on income tax refunds Rs. 406.1 million (March 31, 2003: Rs. 242.9 million)

SCHEDULE 14—OTHER INCOME

	Year ended 31.03.2004	Year ended 31.03.2003
	Rupees in '000s	
Commission, exchange and brokerage	10,717,982	7,917,880
Profit/(Loss) on sale of investments (net)	12,246,330	4,923,328
Profit/(Loss) on revaluation of investments (net)	—	1,076
Profit/(Loss) on sale of land, buildings and other assets (net)	(31,966)	(65,038)
Profit/(Loss) on foreign exchange transactions (net) (including premium amortization)	1,926,267	102,425
Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	1,261,730	1,094,239
Miscellaneous Income (including lease income)	4,528,885	5,703,831
TOTAL	30,649,228	19,677,741

SCHEDULE 15—INTEREST EXPENDED

	Year ended 31.03.2004	Year ended 31.03.2003
	Rupees in '000s	
Interest on Deposits	30,230,202	24,797,095
Interest on Reserve Bank of India/inter-bank borrowings	2,293,656	1,833,699
Others (including interest on borrowings of erstwhile ICICI Limited)*	37,628,634	52,809,195
TOTAL	70,152,492	79,439,989

* Includes expenses incurred to raise funds amounting to Rs. 297.4 million (March 31, 2003: Rs. 622.3 million)

Schedules forming part of the profit and loss account—(Continued)

SCHEDULE 16—OPERATING EXPENSES

	Year ended 31.03.2004	Year ended 31.03.2003
	Rupees in '000s	
Payments to and provisions for employees	5,460,573	4,030,246
Rent, taxes and lighting	1,492,502	1,115,796
Printing and Stationery	861,008	747,174
Advertisement and publicity	686,788	581,767
Depreciation on Bank's property (including non banking assets)	2,609,344	1,914,703
Depreciation (including lease equalisation) on Leased assets	2,785,069	3,144,712
Directors' fees, allowances and expenses	3,650	1,317
Auditors' fees and expenses	16,750	15,000
Law Charges	86,895	85,153
Postages, Telegrams, Telephones, etc.	1,415,019	1,041,519
Repairs and maintenance	1,895,723	1,448,654
Insurance	334,991	251,809
Other expenditure	8,064,013	5,739,050
TOTAL	25,712,325	20,116,900

SCHEDULE 17—PROVISIONS AND CONTINGENCIES

	Year ended 31.03.2004	Year ended 31.03.2003
	Rupees in '000s	
Income Tax		
—Current period tax	2,695,947	2,145,480
—Deferred tax adjustment	(68,800)	(6,425,900)
Wealth Tax	24,000	22,500
Provision for investments (including credit substitutes) (net)	(96,484)	3,094,311
Provision for advances (net)*	3,841,155	13,209,848
Prudential provision on standard assets	750,000	1,540,000
Others	207,936	63,900
Total	7,353,754	13,650,139

* Includes provision on non performing advances, non performing leased assets and other receivables

SCHEDULE 18—SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Overview

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held bank engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Basis of preparation

The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements conform with Generally Accepted Accounting Principles ("GAAP") in India, the guidelines issued by the Reserve Bank of India ("RBI") from time to time and practices generally prevailing within the banking industry in India. The Bank follows the accrual method of accounting except where otherwise stated and historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

Equity issue

The Board of Directors, pursuant to a resolution dated February 10, 2004, authorised an equity issue amounting to Rs. 30,500 million through a book built issue with a green shoe option of Rs. 4,500 million subject to the approval of shareholders under Section 81(1A) of the Companies Act, at the extraordinary general meeting held on March 12, 2004. The shareholders have pursuant to a resolution dated March 12, 2004 under Section 81(1A) of the Companies Act, authorised the issue and the green shoe option.

Subsequent to the balance sheet date the Bank has issued 108,928,571 equity shares of Rs.10 each at a premium of Rs. 270 per share aggregating to Rs. 30,500 million. The Bank has also over allocated 16,071,429 equity shares of Rs.10 each at a price of Rs. 280 per equity share (fully paid up) under the green shoe option.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue Recognition

(a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets where it is recognised upon realization as per the prudential norms of Reserve Bank of India. Accrual of income is also suspended considering economic conditions and other risk factors, on certain other loans, including certain projects under implementation, where the implementation has been significantly delayed and in the opinion of the management significant uncertainties exist as to the final financial closure and/or date of completion of the project.

(b) Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.

(c) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effected from April 1, 2001 have been accounted as per accounting standard 19 on "Accounting for leases" issued by the Institute of Chartered Accountants of India ("ICAI").

(d) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

(e) Dividend is accounted on an accrual basis when the right to receive the dividend is established.

(f) Fees received as a compensation of future interest sacrifice is amortised over the remaining period of the facility.

(g) Arranger's fee is accrued proportionately where more than 75% of the total amount of finance has been arranged.

(h) All other fees are recognised upfront on their becoming due.

(i) Income arising from sell down of loan assets is recognised upfront net of future servicing cost of assets sold, expected prepayment premia and projected delinquencies and included in interest income.

(j) Guarantee commission is recognised over the period of the guarantee.

2. Investments

Investments are valued in accordance with the extant Reserve Bank of India guidelines on investment classification and valuation as under:

(a) All investments are categorised into 'Held to Maturity', 'Available for sale' and 'Trading'. Reclassifications, if any, in any category are accounted for as per Reserve Bank of India guidelines. Under each category the investments are further classified under (a) Government securities (b) other approved securities (c) shares (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

(b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost if acquired at a premium over the face value. A provision is made for other than temporary diminution.

(c) 'Available for sale' and 'Trading' securities are valued periodically as per Reserve Bank of India guidelines.

The market/fair value for the purpose of periodical valuation of quoted investments included in the "Available for Sale" and "Held for Trading" categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of Reserve Bank of India or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Trading' categories is as per the rates put out by FIMMDA.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA.

The unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

(d) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition, are charged to revenue.

(e) Broken period interest on debt instruments is treated as a revenue item.

(f) Investments in subsidiaries/joint ventures are categorised as "Held to Maturity" in accordance with Reserve Bank of India guidelines.

(g) Profit on sale of investment in the 'Held to Maturity' category is credited to the revenue account and thereafter is appropriated, (net of applicable taxes and statutory reserve requirements) to capital reserve.

(h) At each reporting year-end, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by Reserve Bank of India from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value (NAV), obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end.

3. Provisions/Write-offs on loans and other credit facilities

(a) All credit exposures are classified as per Reserve Bank of India guidelines, into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by Reserve Bank of India. Provisions are made on substandard and doubtful assets at rates equal to or higher than those prescribed by Reserve Bank of India. The secured portion of the substandard and doubtful assets is provided for at 50% over a three-year period instead of five and a half years as prescribed by Reserve Bank of India. Loss assets and unsecured portion of doubtful assets are fully provided/written off. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

(b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by Reserve Bank of India, which requires the present value of the interest sacrifice be provided at the time of restructuring.

(c) In the case of other than restructured loan accounts classified as NPAs, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subject to restructuring, asset category is upgraded to standard account if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

(d) The Bank has incorporated the assets taken over from erstwhile ICICI Limited ("ICICI") in its books at carrying values as appearing in the books of ICICI with a provision made based on the fair valuation exercise carried out by an independent firm. To the extent future provisions are required on the assets taken over from ICICI, the provision created on fair valuation of the assets at the time of the amalgamation is used.

(e) Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.

(f) In addition to the general provision of 0.25% made on standard assets in accordance with Reserve Bank of India guidelines the Bank maintains general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified. For standard assets, additional general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors.

(g) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 2% of the total funded assets, no provision is maintained on such country exposure.

4. Fixed assets and depreciation

(a) Premises and other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged over the estimated useful life of a fixed asset on a "straight line" basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in schedule XIV of the Companies Act, 1956, are as follows:

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc.	10%
Furniture and fixtures	15%
Motor vehicles	20%
Computers	33.33%
Others (including software and system development expenses)	25%

(b) Depreciation on leased assets is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV to the Companies Act, 1956.

(c) Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.

(d) Items costing less than Rs. 5,000/- are depreciated at the rate of 100%.

5. Foreign currency transactions

(a) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at closing exchange rates notified by the Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

(b) Outstanding forward exchange contracts are stated at contracted rates and are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

(c) Contingent Liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the balance sheet date.

6. Accounting for derivative contracts

The Bank enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments are correlated with the movement of underlying assets and accounted pursuant to the principles of hedge accounting.

Trading swaps and foreign currency options, outstanding at the balance sheet date are marked to market, and the resulting loss, if any, is recorded in the profit and loss account.

7. Employee Stock Option Scheme ("ESOS")

The Bank has formulated an Employees Stock Option Scheme. The scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method for computing the compensation cost, if any, for all options granted.

8. Staff retirement benefits

For employees covered under group gratuity scheme and group superannuation scheme of LIC, gratuity and superannuation charge to profit and loss account is on the basis of premium charged by LIC. Provision for gratuity and pension for other employees and leave encashment liability are determined as per actuarial valuation. Defined contributions for Provident Fund are charged to the Profit and Loss account based on contributions made in terms of the scheme.

The Bank provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan is funded through periodic contributions to a fund set-up by the Bank and administered by a Board of Trustees. Such contributions are actuarially determined.

9. Income taxes

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis and operating carry forward losses. Deferred tax assets are recognised only after giving due consideration to prudence. Deferred tax asset and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the income statement.

Deferred tax assets are recognised and reassessed at each year end, based upon management's judgment as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

10. Translation of the financial statements of foreign offices

In accordance with the guidelines issued by Reserve Bank of India, all assets, liabilities, income and expenditure of the foreign representative offices and branches of the Bank have been converted at the closing rate prevailing on the balance sheet date. The resultant gains or losses are recognised in the profit and loss account.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Information about business and geographical segments

The Bank reports its operations into the following segments:

- Consumer and Commercial Banking comprising the retail and corporate banking business of the Bank.
- Investment Banking comprising the treasury of the Bank.

Inter segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

Based on such allocations, segmental Balance Sheet as on March 31, 2004 and segmental Profit & Loss account for the year ended March 31, 2004 have been prepared.

Particulars	Consumer and commercial banking		Investment banking		Total	
	For the year ended 31st March, 2004	For the year ended 31st March, 2003	For the year ended 31st March, 2004	For the year ended 31st March, 2003	For the year ended 31st March, 2004	For the year ended 31st March, 2003
	Rupees in million					
Revenue	95,819.3	92,717.0	34,819.3	29,157.5	130,638.6	121,874.5
Less: Inter segment revenue	—	—	—	—	(11,049.0)	(8,515.6)
Total revenue (1)-(2)	—	—	—	—	119,589.6	113,358.9
Operating profit (i.e. Profit before unallocated expenses, extraordinary profit, and tax)	12,984.2	9,456.0	10,996.6	4,346.1	23,980.8	13,802.1
Unallocated expenses					256.0	
Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited	—	—	—	11,910.0	—	11,910.0
Provisions (net)	5,542.8	17,305.7	(840.1)	602.4	4,702.7	17,908.1
Profit before tax	7,441.4	(7,849.7)	11,836.7	15,653.7	19,022.1	7,804.0
Income tax expenses (net)/(net deferred tax credit)	—	—	—	—	2,651.1	(4,257.8)
Net profit (8)-(9)	—	—	—	—	16,371.0	12,061.8
Segment assets	771,726.4	685,550.8	454,527.0	363,550.4	1,226,253.4	1,049,101.2
Unallocated assets	—	—	—	—	26,035.3	19,018.5
Total assets (11)+(12)	—	—	—	—	1,252,288.7	1,068,119.7
Segment liabilities	978,706.4	800,361.9	273,582.3	267,757.8	1,252,288.7	1,068,119.7
Unallocated liabilities	—	—	—	—	—	—
Total liabilities (14)+(15)	978,706.4	800,361.9	273,582.3	267,757.8	1,252,288.7	1,068,119.7

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilisation in international markets. The assets and income from foreign operations are not significant to the overall operations of the Bank and have accordingly not been disclosed.

2. Preference shares

Certain government securities amounting to Rs. 1,455.1 million (March 31, 2003: Rs. 1,244.8 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018 as per the original issue terms.

3. Subordinated debt

Subordinated debt includes index bonds amounting to Rs. 110.4 million (March 31, 2003: Rs. 95.8 million) which carry a detachable warrant entitling bondholders to a right to receive an amount linked to the BSE Sensitive Index (Sensex) per terms of the issue. The liability of the Bank arising out of changes in the Sensex has been hedged by earmarking its investments of an equivalent amount in the UTI Index Equity Fund whose value is based on the Sensex. The Bank has not issued any subordinated debt during the year.

4. Employee stock option scheme

In terms of employee stock option scheme, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank subsequent to the amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited with the Bank and the issuance of equity shares by the Bank pursuant to the amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited, with the Bank.

In terms of the Scheme, 15,964,982 options (March 31, 2003: 12,610,275 options) granted to eligible employees were outstanding at March 31, 2004.

A summary of the status of the Bank's option plan is given below:

	Year ended March 31, 2004	Year ended March 31, 2003
	Option shares outstanding	Option shares outstanding
Outstanding at the beginning of the year	12,610,275	13,343,625
Add: Granted during the year	7,491,800	—
Less : Forfeited/lapsed during the year	766,489	730,350
Exercised during the year	3,370,604	3,000
Outstanding at the end of the year	15,964,982	12,610,275

5. Early Retirement Option (ERO)

The Bank has implemented Early Retirement Option Scheme 2003 to its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

In accordance with the treatment approved by Reserve Bank of India, the ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provisions made (net of tax benefits), aggregating to Rs. 1,910.0 million are being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

During the year, an amount of Rs. 256.0 million has been charged to revenue on account of ERO Scheme being the proportionate amount amortised for the eight month period ended March 31, 2004.

6. Deferred Tax

On March 31, 2004, the Bank has recorded net deferred tax asset of Rs. 4,429.7 million (March 31, 2003: Rs. 4,888.3 million) which has been included in other assets.

A composition of deferred tax assets and liabilities into major items is given below:

Particulars	March 31, 2004	March 31, 2003
	Rupees in million	
Deferred tax asset		
Amortization of premium on investments	—	527.4
Provision for bad and doubtful debts	13,434.1	12,988.7
Others	202.4	855.3
	13,636.5	14,371.4
Less: Deferred tax liability		
Depreciation on fixed assets	8,970.6	9,246.9
Others	236.2	236.2
	9,206.8	9,483.1
Net Deferred Tax Asset/(Liability)	4,429.7	4,888.3

7. Related party transactions

The Bank has transactions with its subsidiaries (including joint ventures), associates (including joint ventures) and directors. The following represent the significant transactions between the Bank and such related parties:

Insurance services

During the year ended March 31, 2004 the Bank paid insurance premium to insurance joint ventures amounting to Rs. 157.2 million (2003: Rs. 163.7 million). During the year ended March 31, 2004 the Bank received claims from insurance subsidiaries amounting to Rs. 85.6 million (2003: Rs. 58.0 million).

Fees

During the year ended March 31, 2004 the Bank received fees from its insurance joint ventures amounting to Rs. 65.3 million (2003: Rs. 17.1 million).

Lease of premises and facilities

During the year ended March 31, 2004, the Bank received for lease of premises, facilities and other administrative costs from subsidiaries and joint ventures amounting to Rs. 361.9 million (2003: Rs. 247.4 million).

Sale of housing loan portfolio

During the year ended March 31, 2004, the Bank has sold housing loan portfolio to its subsidiaries amounting to Rs. 18,317.2 million (2003: Rs. NIL).

Secondment of employees

During the year ended March 31, 2004, the Bank received Rs. 14.2 million (2003: Rs. 27.7 million) from subsidiaries and joint ventures for secondment of employees.

Sale of investments

During the year ended March 31, 2004, the Bank sold certain investments to its associates amounting to Rs. 3,234.1 million (2003: Rs. 2,369.2 million). On the sales made to the associates, the Bank accounted for a gain of Rs. 199.2 million (2003: Rs. 542.7 million).

Reimbursement of expenses

During the year ended March 31, 2004, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 2,075.7 million (2003: Rs. 1,422.3 million).

Brokerage paid

During the year ended March 31, 2004, the Bank paid brokerage to its subsidiaries amounting to Rs. 5.7 million (2003: Rs. 1.5 million).

Custodial charges received

During the year ended March 31, 2004, the Bank received custodial charges from its associates amounting to Rs. 4.7 million (2003: Rs. 7.6 million).

Interest paid

During the year ended March 31, 2004, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 67.9 million (2003: Rs. 118.8 million) and to its associates amounting to Rs. 9.5 million (2003: Rs. 0.9 million).

Interest received

During the year ended March 31, 2004 the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 327.2 million (2003: Rs. 471.2 million) and from its Key Management Personnel(1) Rs. 0.4 million (2003: Rs. 0.5 million).

Dividend received

During the year ended March 31, 2004 the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 1,289.7 million (2003: Rs. 1,094.2 million).

Remuneration to directors

Remuneration paid to the executive directors of the Bank during the year ended March 31, 2004 was Rs. 58.5 million (2003: Rs. 41.0 million)

Related party balances

The following balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel are included in the balance sheet as on March 31, 2004:

Items/related party	Subsidiaries/ joint ventures	Associates	Key management personnel(1)	Total
		Rupees in million		
Deposits	2,021.2	37.3	23.1	2,081.6
Advances	2,426.0	800.0	10.2	3,236.2
Investments	14,303.6	15,942.5	—	30,246.1
Receivables	315.1	8.0	—	323.1
Payables	739.4	0.5	—	739.9

(1) wholetime directors and relatives

The following balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel are included in the balance sheet as on March 31, 2003:

Items/related party	Subsidiaries/joint ventures	Associates	Key management personnel(1)	Total
		Rupees in million		
Deposits	2,343.0	4.4	20.3	2,367.7
Advances	4,124.1	—	14.8	4,138.9
Investments	7,888.4	16,038.8	—	23,927.2
Receivables	349.4	0.4	—	349.8
Payables	194.5	0.9	—	195.4

(1) wholetime directors and relatives

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Distribution Finance Private. Limited and ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust, and TCW/ICICI Investment Partners L.L.C.

8. Earnings Per Share ("EPS")

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard-20, "Earnings per Share". Basic earning per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of Earnings per share is given below:

	March 31, 2004	March 31, 2003
	Rupees in million except per share data	
Basic		
Weighted average no. of equity shares outstanding (Nos)	614,157,868	613,031,569
Net profit	16,371.0	12,061.8
Basic earnings per share (Rs.)	26.66	19.68
Diluted Earning per share		
Weighted average no. of equity shares	619,201,380	613,750,295
Net profit	16,371.0	12,061.8
Diluted earnings per share (Rs.)	26.44	19.65
Nominal value per share (Rs.)	10.00	10.00

The dilutive impact is mainly due to options issued to employees by the Bank.

9. Assets under lease

9.1 Assets under operating lease

The future lease rentals are given below:

Period	March 31, 2004	March 31, 2003
	Rupees in million	
Not later than one year	229.6	108.5
Later than one year and not later than five years	974.9	537.9
Later than five years	571.0	472.0
Total	1,775.5	1,118.4

9.2 Assets under finance lease

The future lease rentals are given below:

Period	March 31, 2004	March 31, 2003
	Rupees in million	
Total of future minimum lease payments	1,792.9	1,161.0
Present value of lease payments	1,417.8	818.1
Unmatured finance charges	375.1	342.9
Maturity profile of total of future minimum lease payments		
Not later than one year	397.0	166.0
Later than one year and not later than five years	1,255.6	831.9
Later than five years	140.3	163.1
Total	1,792.9	1,161.0

10. Additional disclosures

The following additional disclosures have been made taking into account Reserve Bank of India guidelines in this regard.

10.1 Capital adequacy ratio

The Capital to Weighted Risk Assets Ratio (CRAR) as assessed by the Bank on the basis of the attached financial statements and guidelines issued by Reserve Bank of India is given in the table below:

	March 31, 2004	March 31, 2003
	Rupees in million	
Tier I capital*	55,250.9	58,072.3
Tier II capital	38,756.9	33,387.5
Total capital	94,007.8	91,459.8
Total risk weighted assets	907,340.2	823,805.4
Capital ratios (percent)		
Tier I	6.09 %	7.05 %
Tier II	4.27 %	4.05 %
Total capital	10.36 %	11.10 %

* Tier I Capital includes the preference shares, which are due for redemption in 2018, as reduced by the amount of corpus created in accordance with Reserve Bank of India guidelines

10.2 Business/information ratios

The business/information ratios for the period ended March 31, 2004 and March 31, 2003 are given in the table below:

	March 31, 2004	March 31, 2003
	Rupees in million	
Interest income to working funds (percent)	7.83%	9.07%
Non-interest income to working funds (percent)	2.70%	1.91%
Operating profit to working funds (percent)	2.09%	2.49%
Return on assets (percent)	1.31%	1.13%
Business per employee (average deposits plus average advances)	101.0	112.0
Profit per employee	1.2	1.1
Net non-performing advances (funded) to net advances (percent)	2.21%	5.21%

For the purpose of computing the above ratios, working funds represent the average of total assets as reported to Reserve Bank of India under section 27 of the Banking Regulation Act, 1949.

10.3 Maturity pattern

(a) Rupee denominated assets and liabilities as on March 31, 2004

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2004 is given below:

Maturity buckets	Loans & advances	Investment securities	Deposits	Borrowings
		Rupees in million		
1 to 14 days	21,863.1	52,235.7	53,572.2	5,689.3
15 to 28 days	4,243.7	27,548.3	16,595.3	6,264.2
29 days to 3 months	11,904.6	32,787.9	72,534.5	6,935.9
3 to 6 months	18,735.3	32,621.3	85,839.2	19,097.4
6 months to 1 year	74,242.4	41,537.8	107,581.2	32,956.4
1 to 3 years	167,247.8	117,207.9	294,475.0	102,112.9
3 to 5 years	86,467.4	22,447.7	19,556.9	22,224.5
Above 5 years	170,790.7	101,042.0	7,897.7	24,741.7
Total	555,495.0	427,428.6	658,052.0	220,022.3

(b) Rupee denominated assets and liabilities as on March 31, 2003

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2003 is given below:

Maturity buckets	Loans & advances	Investment securities	Deposits	Borrowings
		Rupees in million		
1 to 14 days	14,165.3	32,828.6	40,141.0	6,715.7
15 to 28 days	1,810.0	21,956.9	14,275.7	3,035.4
29 days to 3 months	18,592.5	36,459.5	67,790.7	17,445.0
3 to 6 months	17,052.9	18,736.1	26,369.2	18,111.5
6 months to 1 year	40,059.6	43,943.5	102,763.0	49,366.1
1 to 3 years	148,660.2	110,286.9	198,621.2	129,667.8
3 to 5 years	81,199.1	22,173.4	10,631.5	22,079.9
Above 5 years	142,587.7	68,238.2	6,885.0	28,231.6
Total	464,127.3	354,623.1	467,477.3	274,653.0

(c) Forex denominated assets and liabilities as on March 31, 2004

The maturity pattern of forex denominated assets and liabilities as on March 31, 2004 is given below:

Maturity buckets	Loans & advances	Balances with banks and money at call and short notice	Deposits	Borrowings
	Rupees in million			
1 to 14 days	190.7	11,584.7	1,732.0	1,540.6
15 to 28 days	404.0	1,862.4	543.7	3,668.8
29 days to 3 months	2,091.2	2,535.6	1,623.1	6,664.2
3 to 6 months	1,810.0	993.4	3,655.5	8,007.3
6 months to 1 year	12,969.6	—	5,131.6	11,519.3
1 to 3 years	15,350.3	—	7,114.4	15,488.4
3 to 5 years	9,623.9	—	1,663.5	22,985.5
Above 5 years	23,020.5	—	1,570.0	17,506.0
Total	65,460.2	16,976.1	23,033.8	87,380.1

(d) Forex denominated assets and liabilities as on March 31, 2003

The maturity pattern of forex denominated assets and liabilities as on March 31, 2003 is given below:

Maturity buckets	Loans & advances	Balances with banks and money at call and short notice	Deposits	Borrowings
	Rupees in million			
1 to 14 days	341.3	2,770.2	677.7	1,579.2
15 to 28 days	545.0	—	233.6	1.0
29 days to 3 months	1,202.8	—	1,063.9	6,620.9
3 to 6 months	2,003.3	—	1,610.2	8,591.3
6 months to 1 year	6,889.3	—	3,603.0	10,132.7
1 to 3 years	17,575.2	—	7,026.7	9,834.9
3 to 5 years	11,553.8	—	0.7	13,099.4
Above 5 years	28,556.1	—	—	18,511.8
Total	68,666.8	2,770.2	14,215.8	68,371.2

Notes

- In compiling the information of maturity pattern (refer 10.3 (a), 10.3 (b), 10.3 (c), 10.3 (d) above), certain estimates and assumptions have been made by the management, which have been relied upon by the auditors.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

10.4 Advances

(i) Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market, real estate and commodities. The net position of lending to sensitive sectors is given in the table below:

	March 31, 2004	March 31, 2003
	Rupees in million	
Capital market sector*	2,489.3	1,400.2
Real estate sector	25,172.3	20,941.8
Commodities sector	1,032.0	1,663.6

* Represents loans to NBFC brokers and individuals against pledge of shares

(ii) Movement of gross non-performing advances during the year

	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
	Rupees in million	
Opening Balance	50,273.8	50,130.3
Add: Additions during the year	14,194.3	11,937.7
	64,468.1	62,068.0
Less: Reductions during the year	(33,992.2)	(11,794.2)
Closing Balance*	30,475.9	50,273.8

* Includes suspended interest and claims received from ECGC/DICGC of Rs. 501.8 million (previous year Rs 490.3 million) on working capital loans

(iii) Provision for non-performing advances

	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
	Rupees in million	
Opening Balance	22,036.1	23,838.1
Add: Provisions made during the year (including utilization of fair value provisions)	7,318.1	6,704.8
	29,354.2	30,542.9
Less: write-offs/recovery	(13,104.1)	(8,506.8)
Closing Balance*	16,250.1	22,036.1

(iv) Financial assets transferred during the year to Securitisation Company (SC)/Reconstruction Company (RC)

The Bank has transferred certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by Reserve Bank of India governing such transfer. For the purpose of year end valuation of the underlying security receipts issued by ARC, pursuant to the accounting policy vide para 2 (h) of part A, their NAV is taken at the purchase consideration of the assets transferred since ARC has not intimated the NAV and the transfers have been effected close to March 31, 2004. The details of the assets transferred are given in the table below:

	April 1, 2003 to March 31, 2004
	Rupees in million
No. of accounts	54
Aggregate value (net of provisions) of accounts sold to SC/RC	12,506.2
Aggregate consideration	12,439.5
Additional consideration realised in respect of accounts transferred in earlier years	NIL
Aggregate gain/(loss) over net sale value	(66.7)

(v) Information in respect of restructured assets

The Bank has restructured borrower accounts in standard, sub-standard and doubtful category. The gross amounts (net of write off) of restructuring during the year in respect of these accounts are given below:

	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
	Rupees in million	
Standard assets subjected to restructuring	49,469.4	58,898.2
Sub-standard assets subjected to restructuring	1,409.0	1,766.4
Doubtful assets subjected to restructuring	783.4	3,032.0
Total amount	51,661.8	63,696.6

Excludes cases that were restructured and disclosed in the earlier years by the bank and subsequently confirmed/amended on being referred to and approved by the Corporate Debt Restructuring (CDR) scheme.

	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
	Rupees in million	
Standard assets subjected to CDR	53,761.9	40,595.9
Sub-standard assets subjected to CDR	823.0	137.1
Doubtful assets subjected to CDR	—	—
Total amount	54,584.9	40,733.0

10.5 Investments

	March 31, 2004		March 31, 2003	
	In India	Outside India	In India	Outside India
	Rupees in million			
Gross value	433,052.1	3,674.1	370,454.5	356.7
Less: Provision for depreciation and fair value provision	9,233.2	64.4	15,917.2	271.0
Net value	423,818.9	3,609.7	354,537.3	85.7

Provision for depreciation on investments

	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
	Rupees in million	
Opening balance	14,161.5	17,330.0
Add : Provision made during the period (including utilization of fair value provision)	(4,945.8)	(3,168.5)
Less : Transfer from investment fluctuation reserve	—	—
Write-off during the period	—	—
Closing balance	9,215.7	14,161.5

10.6 Investments in equity shares and equity like instruments

	March 31, 2004	March 31, 2003
	Rupees in million	
Equity shares	6,818.2	6,330.2
Convertible debentures	604.4	1,898.2
Units of equity oriented mutual funds	202.7	578.9
Investment in venture capital funds	11,606.6	3,352.6
Others (loans against collateral, advances to brokers)	5,515.8	1,400.2
Total	24,747.7	13,560.1

10.7 Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the period are given below:

	Minimum outstanding balance during the year	Maximum outstanding balance during the year	Daily average outstanding balance during the year	Balance as on March 31, 2004
		Rupees in million		
Securities sold under repurchase transaction	—	25,519.0	6,416.3	—
Securities purchased under reverse repurchase transaction	—	5,850.0	858.8	2,431.8

10.8 Investments in jointly controlled entities

Investments include Rs. 6,690.1 million (March 2003: 4,026.1 million) representing the Bank's interests in the following jointly controlled entities:

Sr. No.	Name of the company	Country/ Residence	Percentage holding
1	ICICI Prudential Life Insurance Company Limited	India	74.00%
2	ICICI Lombard General Insurance Company Limited	India	74.00%
3	Prudential ICICI Asset Management Company Limited	India	**44.99%
4	Prudential ICICI Trust Limited	India	**44.80%

** Indicates holding by ICICI Bank Limited along with its subsidiaries

The aggregate amounts of assets, liabilities, income and expenses as on March 31, 2004 and for the year then ended relating to the Bank's interests in the above entities follow:

Liabilities	Amount	Assets	Amount
	Rupees in million		Rupees in million
Capital and Reserves	3,739.5	Cash and bank balances	847.3
Other liabilities	3,633.6	Investments	15,126.4
Liabilities on life policies in force	10,610.5	Fixed assets	502.4
		Other assets	1,507.5
Total	17,983.6	**Total**	17,983.6

Expenses	Amount	Income	Amount
	Rupees in million		Rupees in million
Interest expenses	2.2	Interest income	405.3
Other expenses		Other income	
—Premium ceded and change in liability for life policies in force	4,888.2	—Insurance premium/commission	11,176.0
—Others	8,662.5	—Others	824.2
Provisions	135.2		
Total	13,688.1	Total	12,405.5

10.9 Risk category-wise country-wise exposure

As per the extant Reserve Bank of India guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. Since the country exposure (net) of the Bank in respect of each country does not exceed 2% of the total funded assets, no provision is required to be maintained on country exposures.

Risk category	Exposure (net) as on March 31, 2004	Exposure (net) as on March 31, 2003
	Rupees in million	
Insignificant	46,114.1	3,559.5
Low	643.5	205.9
Moderate	184.5	13.5
High	8.6	12.5
Total	46,950.7	3,791.4

10.10 Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts as at March 31, 2004 is Rs. 34,150.0 million for hedging contracts (March 31, 2003: 29,730.0 million) and Rs. 947,837.8 million for trading contracts (March 31, 2003: Rs. 348,337.8 million).

The fair value represents the estimated replacement cost of swap contracts as at balance sheet date. At March 31, 2004 the fair value of trading rupee interest rate swap contracts is Rs. 669.2 million (March 31, 2003 Rs. 308.8 million).

Associated credit risk is the loss that the Bank would incur in case all the counter parties to these swaps fail to fulfill their contractual obligations. As at March 31, 2004, the associated credit risk on trading rupee interest rate swap contracts is Rs. 8,955.5 million (March 31, 2003: Rs. 2,358.6 million).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points rise in the interest rates. As at March 31, 2004 the market risk on trading rupee interest rate swap contracts amounts to Rs. 63.2 million (March 31, 2003: Rs. 38.1 million).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter party. As at March 31, 2004 there is a credit risk concentration of Rs. 682.7 million (March 31, 2003: Rs. 246.7 million) under rupee interest rate swap contracts, with Standard Chartered Bank.

As per the prevailing market practice, collateral is not insisted on from the counter parties of these contracts.

11. Others

a. Credit exposure to

	% age to capital funds	% age to total exposure	% age to capital funds	% age to total exposure
	As at March 31, 2004		As at March 31, 2003	
Single largest borrower	24.9%	2.2%	22.3%	2.4%
Largest borrower group	53.1%	4.6%	44.2%	4.8%
Top ten single borrowers				
No.1	24.9%	2.2%	22.3%	2.4%
No.2	20.7%	1.8%	21.1%	2.3%
No.3	19.9%	1.7%	13.8%	1.5%
No.4	15.7%	1.4%	11.8%	1.3%
No.5	14.8%	1.3%	10.9%	1.2%
No.6	13.3%	1.2%	10.0%	1.1%
No.7	13.1%	1.1%	8.9%	1.0%
No.8	13.0%	1.1%	8.9%	1.0%
No.9	12.4%	1.1%	8.6%	0.9%
No.10	10.5%	0.9%	8.2%	0.9%
Top ten borrower groups				
No.1	53.1%	4.6%	44.2%	4.8%
No.2	47.1%	4.1%	28.1%	3.1%
No.3	25.7%	2.2%	28.1%	3.1%
No.4	24.4%	2.1%	25.2%	2.7%
No.5	22.7%	2.0%	19.1%	2.1%
No.6	21.0%	1.8%	18.5%	2.0%
No.7	16.4%	1.4%	14.3%	1.6%
No.8	16.2%	1.4%	11.8%	1.3%
No.9	15.7%	1.4%	11.4%	1.2%
No.10	13.1%	1.2%	11.0%	1.2%

	% age to total exposure	% age to total exposure
	March 31, 2004	March 31, 2003
Five largest industrial sectors		
No.1	7.5%	10.1%
No.2	7.3%	9.6%
No.3	6.2%	8.5%
No.4	5.3%	5.2%
No.5	5.0%	4.9%

b. Exchange fluctuation

Exchange fluctuation aggregating Rs. 577.8 million (March 31, 2003: Rs. 923.6 million), which arises on account of rupee-tying agreements with the government of India, is held in “Exchange Fluctuation Suspense with Government Account” pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

c. Swap suspense (net)

Swap Suspense (net) aggregating Rs. 677.0 million (debit) (March 31, 2003: Rs. 128.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in “Swap Suspense Account” and will be reversed at conclusion of swap transactions with swap counter parties.

d. Exchange Risk Administration Scheme

Under the Exchange Risk Administration Scheme (“ERAS”), the government of India has agreed to extend support to the Exchange Risk Administration Fund (“ERAF”), when it is in deficit and recoup its contribution in the event of surplus. The Bank can claim from the positive balance in the ERAF account maintained by the Industrial Development Bank of India (IDBI) to the extent of the deficit in the ERAS Exchange Fluctuation Account. If the balance in the ERAF account with IDBI is insufficient, a claim will be made on the government of India through IDBI. The government of India has foreclosed the scheme vide their letter F. No 6 (3)/2002-IF.1 dated January 28, 2003. The total amount payable to the government of India under the scheme amounting to Rs. 50.0 million has been included in Other Liabilities.

12. Proposed dividend

Proposed dividend includes the amount of dividend payable to the shareholders of the equity issue made in April 2004 (excluding the shares over-allocated under the green shoe option).

13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks and money at call and short notice.

14. Contingent liability

The Income-tax authorities have disallowed deduction in respect of specific provisions for bad debts made by erstwhile ICICI Limited in prior years on account of retrospective amendment to section 36 (1) (vii) of the Income Tax Act, 1961 (the “Act”). The total potential tax impact of such disallowances is Rs. 2,765.9 million, which is included in the contingent liability and is disputed by the Bank in appeals. Based on a legal opinion, the Bank is of the view that the disputed amount would alternatively be deductible under the provisions of the Act as business loss. Further, as the provision is tax deductible in the year of write off, the Bank is eligible to create a deferred tax asset and accordingly, there is no revenue impact.

15. Comparative figures

Figures of the previous period have been regrouped to conform to the current year’s presentation.

SIGNATURES TO SCHEDULES 1 TO 18

For and on behalf of the Board of Directors

N. Vaghul Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
Kalpana Morparia Deputy Managing Director	**Nachiket Mor** Executive Director	**Chanda D. Kochhar** Executive Director
N. S. Kannan Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**G. Venkatakrishnan** General Manager— Accounting and Taxation Group

Place: Mumbai
Date: April 30, 2004

Cash flow statement for the year ended March 31, 2004

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
	(Rupees in '000s)	
Cash flow from operating activities		
Net profit before taxes	19,022,209	7,803,872
Adjustments for:		
Depreciation on fixed assets	5,394,413	5,059,415
Net (appreciation)/depreciation on investments	(96,484)	3,094,311
Provision in respect of non-performing assets (including prudential provision on standard assets)	4,591,155	14,749,848
Provision for contingencies & others	207,936	63,900
Income from subsidiaries (investing activity)	(1,261,729)	(1,094,240)
Loss on sale of fixed assets	31,966	65,038
	27,889,466	29,742,144
Adjustments for:		
(Increase)/decrease in Investments	(63,609,871)	55,305,151
(Increase)/decrease in Advances	(91,992,620)	(74,578,831)
Increase/(decrease) in Borrowings	(836,834)	(36,519,614)
Increase/(decrease) in Deposits	199,392,782	160,841,952
(Increase)/decrease in Other assets	2,450,798	(24,500,144)
Increase/(decrease) in Other liabilities and provisions	14,154,337	3,266,612
	59,558,592	83,815,126
Direct taxes paid	(8,531,173)	(6,438,190)
Net cash generated from operating activities (A)	**78,916,885**	**107,119,080**
Cash flow from investing activities		
Investments in subsidiaries and/or joint ventures	(6,415,226)	(1,739,493)
Income received on such investments	1,261,729	1,094,240
Purchase of fixed assets	(5,762,528)	(4,516,874)
Proceeds from sale of fixed assets	369,695	102,090
(Purchase)/Sale of hold to maturity (HTM) securities	(2,684,030)	(52,372,174)
Net cash generated from investing activities (B)	(13,230,360)	(57,432,211)
Cash flow from financing activities		
Amount received on exercise of stock options & calls in arrears	539,078	315
Repayment of bonds (including subordinated debt)	(41,221,623)	(112,660,657)
Dividend and dividend tax paid	(5,187,662)	—
Net cash generated from financing activities (C)	**(45,870,207)**	**(112,660,342)**
Cash and cash equivalents on amalgamation (D)	—	—
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D)	19,816,318	(62,973,473)
Cash and cash equivalents as at 1st April	**64,890,026**	**127,863,499**
Cash and cash equivalents as at 31st March	**84,706,344**	**64,890,026**

Cash and Cash equivalents represent 'Cash and balance with Reserve Bank of India' and 'Balances with banks and money at call and short notice'.

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

per Viren H. Mehta
a Partner

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Lalita D. Gupte
Joint Managing Director

Kalpana Morparia
Deputy Managing Director

Chanda D. Kochhar
Executive Director

Nachiket Mor
Executive Director

N. S. Kannan
Chief Financial Officer & Treasurer

Jyotin Mehta
General Manager & Company Secretary

G. Venkatakrishnan
General Manager— Accounting and Taxation Group

Place: Mumbai
Date: April 30, 2004

ISSUER

ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051
India

LEGAL ADVISORS

To the Issuer as to United States law

Davis Polk & Wardwell
15, avenue Matignon
75008 Paris
France

To the Initial Purchasers as to United States law

Latham & Watkins
99 Bishopsgate
London EC2M 3XF
United Kingdom

To the Initial Purchasers as to Indian law

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers, Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel, Mumbai—400013
India

To the Trustee as to New York law

Clifford Chance
29th Floor, Jardine House
One Connaught Place
Hong Kong

INDEPENDENT ACCOUNTANTS

B.S.R. & Co.
Chartered Accountants
KPMG House, Kamala Mills Compound
448, Senapati Bapat Marg
Lower Parel, Mumbai—400 013
India

TRUSTEE & PAYING AGENT

The Bank of New York
101 Barclay Street
New York, New York 10286
U.S.A.

CALCULATION AGENT

The Bank of New York, London Branch
48th Floor, One Canada Square
London E14 5AL
United Kingdom

US$ 750,000,000

ICICI Bank Limited

6.375% Fixed to Floating Rate Subordinated Notes due April 30, 2022

OFFERING MEMORANDUM

Citigroup

Deutsche Bank Securities

Merrill Lynch International

January 9, 2007